UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2020

OR

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

For the transition period from ______ to ______

333-126751
(Commission File Number)

LAZARD GROUP LLC
(Exact name of registrant as specified in its charter)

Delaware	**51-0278097**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

30 Rockefeller Plaza
New York, NY 10112
(Address of principal executive offices)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	None	None

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

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☐
		Emerging growth company	☐

If the Registrant is an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of April 24, 2020, in addition to profit participation interests, there were two managing member interests outstanding.

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When we use the terms "Lazard Group","Lazard", "we", "us", "our" and "the Company", we mean Lazard Group LLC, a Delaware limited liability company, that is the current holding company for the subsidiaries that conduct our businesses. Lazard Ltd is a Bermuda exempt company whose shares of Class A common stock ("common stock") are publicly traded on the New York Stock Exchange under the symbol "LAZ". Lazard Ltd's subsidiaries include Lazard Group and their respective subsidiaries. Lazard Ltd's primary operating asset is its indirect ownership as of March 31, 2020 of all of the common membership interests in Lazard Group. Lazard Ltd controls Lazard Group through two of its indirect wholly-owned subsidiaries that are co-managing members of Lazard Group.

Lazard Group has granted profit participation interests in Lazard Group to certain of its managing directors. The profit participation interests are discretionary profits interests that are intended to enable Lazard Group to compensate its managing directors in a manner consistent with historical practices. Lazard Group has also granted profits interest participation rights to certain of its managing directors. See Note 13 of Notes to Consolidated Financial Statements.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

LAZARD GROUP LLC

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
MARCH 31, 2020 AND DECEMBER 31, 2019
(UNAUDITED)
(dollars in thousands)

		March 31, 2020		December 31, 2019
ASSETS				
Cash and cash equivalents	$	780,529	$	1,164,135
Deposits with banks and short-term investments		1,080,737		1,180,686
Cash deposited with clearing organizations and other segregated cash		41,398		43,280
Receivables (net of allowance for doubtful accounts of $31,284 and $27,130 at March 31, 2020 and December 31, 2019, respectively):				
Fees		478,847		537,342
Customers and other		109,710		125,697
Lazard Ltd subsidiaries		68,107		34,612
		656,664		697,651
Investments		505,753		531,995
Property (net of accumulated amortization and depreciation of $369,568 and $366,880 at March 31, 2020 and December 31, 2019, respectively)		219,491		218,871
Operating lease right-of-use assets		532,873		551,050
Goodwill and other intangible assets (net of accumulated amortization of $66,185 and $65,757 at March 31, 2020 and December 31, 2019, respectively)		337,391		351,797
Deferred tax assets		46,732		55,728
Other assets		403,226		256,435
Total Assets	$	4,604,794	$	5,051,628

See notes to condensed consolidated financial statements.

LAZARD GROUP LLC

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
MARCH 31, 2020 AND DECEMBER 31, 2019
(UNAUDITED)
(dollars in thousands)

	March 31, 2020	December 31, 2019
LIABILITIES AND MEMBERS’ EQUITY		
Liabilities:		
Deposits and other customer payables	$ 1,144,992	$ 1,246,200
Accrued compensation and benefits	338,161	599,910
Operating lease liabilities	623,477	643,808
Payable to Lazard Ltd subsidiaries	9,378	63,399
Senior debt	1,680,204	1,679,562
Deferred tax liabilities	955	3,497
Other liabilities	522,768	527,926
Total Liabilities	4,319,935	4,764,302
Commitments and contingencies		
MEMBERS’ EQUITY		
Members' equity (net of 7,418,177 and 7,675,688 shares of Lazard Ltd Class A common stock, at a cost of $273,040 and $304,083 at March 31, 2020 and December 31, 2019, respectively)	501,490	469,324
Accumulated other comprehensive loss, net of tax	(286,387)	(250,404)
Total Lazard Group LLC Members' Equity	215,103	218,920
Noncontrolling interests	69,756	68,406
Total Members’ Equity	284,859	287,326
Total Liabilities and Members’ Equity	$ 4,604,794	$ 5,051,628

See notes to condensed consolidated financial statements.

LAZARD GROUP LLC

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2020 AND 2019
(UNAUDITED)
(dollars in thousands)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
REVENUE		
Investment banking and other advisory fees	$ 297,673	$ 319,355
Asset management fees	269,218	292,438
Interest income	2,252	3,564
Other	(11,488)	29,534
Total revenue	557,655	644,891
Interest expense	20,075	18,889
Net revenue	537,580	626,002
OPERATING EXPENSES		
Compensation and benefits	318,283	370,248
Occupancy and equipment	32,045	28,118
Marketing and business development	20,136	27,925
Technology and information services	31,316	32,025
Professional services	14,236	13,801
Fund administration and outsourced services	26,390	28,930
Amortization and other acquisition-related costs (benefits)	428	(684)
Other	9,016	16,776
Total operating expenses	451,850	517,139
OPERATING INCOME	85,730	108,863
Provision for income taxes	15,995	15,988
NET INCOME	69,735	92,875
LESS - NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(5,691)	(566)
NET INCOME ATTRIBUTABLE TO LAZARD GROUP LLC	$ 75,426	$ 93,441

See notes to condensed consolidated financial statements.

LAZARD GROUP LLC

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2020 AND 2019
(UNAUDITED)
(dollars in thousands)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
NET INCOME	$ 69,735	$ 92,875
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:		
Currency translation adjustments	(46,966)	2,929
Employee benefit plans:		
Prior service costs (net of tax expense of $36 for the three months ended March 31, 2020)	175	-
Actuarial gain (net of tax expense of $1,790 and $300 for the three months ended March 31, 2020 and 2019, respectively)	8,913	49
Adjustment for items reclassified to earnings (net of tax expense of $338 and $178 for the three months ended March 31, 2020 and 2019, respectively)	1,895	1,132
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	(35,983)	4,110
COMPREHENSIVE INCOME	33,752	96,985
LESS - COMPREHENSIVE LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(5,691)	(565)
COMPREHENSIVE INCOME ATTRIBUTABLE TO LAZARD GROUP LLC	$ 39,443	$ 97,550

See notes to condensed consolidated financial statements.

LAZARD GROUP LLC

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2020 AND 2019
(UNAUDITED)
(dollars in thousands)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 69,735	$ 92,875
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization of property	8,908	8,108
Noncash lease expense	15,453	11,938
Amortization of deferred expenses and share-based incentive compensation	100,952	104,809
Amortization and other acquisition-related costs (benefits)	428	(684)
Deferred tax provision (benefit)	3,034	(2,326)
Loss on extinguishment of debt	-	4,243
(Increase) decrease in operating assets and increase (decrease) in operating liabilities:		
Receivables-net	26,477	(21,886)
Investments	23,325	(40,160)
Other assets	(171,365)	(84,911)
Accrued compensation and benefits and other liabilities	(253,157)	(254,708)
Net cash used in operating activities	(176,210)	(182,702)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property	(11,994)	(5,867)
Disposals of property	69	70
Net cash used in investing activities	(11,925)	(5,797)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from:		
Issuance of senior debt, net of expenses	-	491,875
Customer deposits	-	185,871
Contributions from noncontrolling interests	-	72
Other financing activities	25	925
Payments for:		
Senior debt	-	(171,668)
Customer deposits	(70,652)	-
Distributions to noncontrolling interests	(1,411)	(591)
Purchase of Class A common stock	(95,227)	(192,097)
Distributions to members	-	(52,210)
Settlement of share-based incentive compensation	(66,728)	(90,657)
Other financing activities	(1,869)	(3,082)
Net cash provided by (used in) financing activities	(235,862)	168,438
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(61,440)	(29,814)
NET DECREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(485,437)	(49,875)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH—January 1	2,388,101	2,230,388
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH—March 31	$ 1,902,664	$ 2,180,513

RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH WITHIN THE CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION:

	March 31, 2020	December 31, 2019
Cash and cash equivalents	$ 780,529	$ 1,164,135
Deposits with banks and short-term investments	1,080,737	1,180,686
Cash deposited with clearing organizations and other segregated cash	41,398	43,280
TOTAL CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	$ 1,902,664	$ 2,388,101

See notes to condensed consolidated financial statements.

LAZARD GROUP LLC

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2019
(UNAUDITED)
(dollars in thousands)

	Members' Equity	Accumulated Other Comprehensive Income (Loss), Net of Tax	Total Lazard Group Members' Equity	Noncontrolling Interests	Total Members' Equity
Balance - January 1, 2019 (*)	**$ 758,705**	**$ (228,660)**	**$ 530,045**	**$ 52,707**	**$ 582,752**
Comprehensive income (loss):					
Net income (loss)	93,441		93,441	(566)	92,875
Other comprehensive income - net of tax		4,109	4,109	1	4,110
Amortization of share-based incentive compensation	84,681		84,681		84,681
Distributions to members and noncontrolling interests, net	(52,210)		(52,210)	(519)	(52,729)
Purchase of Class A common stock	(192,097)		(192,097)		(192,097)
Delivery of Class A common stock in connection with share-based incentive compensation and related tax benefit of $88	(90,569)		(90,569)		(90,569)
Business acquisitions and related equity transactions:					
Class A common stock issuable (including related amortization)	53		53		53
Other	(2,231)		(2,231)		(2,231)
Balance - March 31, 2019 (*)	**$ 599,773**	**$ (224,551)**	**$ 375,222**	**$ 51,623**	**$ 426,845**

(*) At both January 1, 2019 and March 31, 2019, in addition to profit participation interests, there were two managing member interests.

See notes to condensed consolidated financial statements.

LAZARD GROUP LLC

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020
(UNAUDITED)
(dollars in thousands)

	Members' Equity	Accumulated Other Comprehensive Income (Loss), Net of Tax	Total Lazard Group Members' Equity	Noncontrolling Interests	Total Members' Equity
Balance - January 1, 2020 (*)	**$ 469,324**	**$ (250,404)**	**$ 218,920**	**$ 68,406**	**$ 287,326**
Adjustment for cumulative effect on prior years from the adoption of new accounting guidance	(7,571)		(7,571)		(7,571)
Balance, as adjusted January 1, 2020	461,753	(250,404)	211,349	68,406	279,755
Comprehensive income (loss):					
Net income (loss)	75,426		75,426	(5,691)	69,735
Other comprehensive loss - net of tax		(35,983)	(35,983)		(35,983)
Amortization of share-based incentive compensation	72,161		72,161		72,161
Distributions to members and noncontrolling interests, net	-		-	(1,411)	(1,411)
Purchase of Class A common stock	(95,227)		(95,227)		(95,227)
Delivery of Class A common stock in connection with share-based incentive compensation and related tax benefit of $3	(66,725)		(66,725)		(66,725)
Contributions from members	55,941		55,941		55,941
Consolidated VIEs			-	8,452	8,452
Other	(1,839)		(1,839)		(1,839)
Balance - March 31, 2020 (*)	**$ 501,490**	**$ (286,387)**	**$ 215,103**	**$ 69,756**	**$ 284,859**

(*) At both January 1, 2020 and March 31, 2020, in addition to profit participation interests, there were two managing member interests.

See notes to condensed consolidated financial statements.

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

The accompanying condensed consolidated financial statements are those of Lazard Group LLC and its subsidiaries (collectively referred to as "Lazard Group", "we" or the "Company"). Lazard Group is a Delaware limited liability company, which is governed by an Amended and Restated Operating Agreement dated as of February 4, 2019 (the "Operating Agreement").

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

Lazard Ltd indirectly held 100% of all outstanding Lazard Group common membership interests as of March 31, 2020 and December 31, 2019. Lazard Ltd, through its control of the managing members of Lazard Group, controls Lazard Group.

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

- Financial Advisory, which offers corporate, partnership, institutional, government, sovereign and individual clients across the globe a wide array of financial advisory services regarding mergers and acquisitions ("M&A"), capital advisory, restructurings, shareholder advisory, sovereign advisory, capital raising and other strategic advisory matters, and
- Asset Management, which offers a broad range of global investment solutions and investment management services in equity and fixed income strategies, asset allocation strategies, alternative investments and private equity funds to corporations, public funds, sovereign entities, endowments and foundations, labor funds, financial intermediaries and private clients.

In addition, we record selected other activities in our Corporate segment, including management of cash, investments, deferred tax assets, outstanding indebtedness, certain contingent obligations, and assets and liabilities associated with Lazard Group's Paris-based subsidiary Lazard Frères Banque SA ("LFB").

Basis of Presentation

The accompanying condensed consolidated financial statements of Lazard Group have been prepared pursuant to the rules and regulations of the United States Securities and Exchange Commission (the "SEC") regarding interim financial reporting. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America ("U.S. GAAP") for complete financial statements and should be read in conjunction with the audited consolidated financial statements and notes thereto included in Lazard Group's Annual Report on Form 10-K for the year ended December 31, 2019. The accompanying December 31, 2019 unaudited condensed consolidated statement of financial condition data was derived from audited consolidated financial statements, but does not include all disclosures required by U.S. GAAP for annual financial statement purposes. The accompanying condensed consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented.

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

The consolidated results of operations for the three month period ended March 31, 2020 are not indicative of the results to be expected for any future interim or annual period.

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

The Company's policy is to consolidate entities in which it has a controlling financial interest. The Company consolidates:

- Voting interest entities ("VOEs") where the Company holds a majority of the voting interest in such VOEs, and
- Variable interest entities ("VIEs") where the Company is the primary beneficiary having the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses of, or receive benefits from, the VIE that could be potentially significant to the VIE (see Note 20).

When the Company does not have a controlling interest in an entity, but exerts significant influence over such entity's operating and financial decisions, the Company either (i) applies the equity method of accounting in which it records a proportionate share of the entity's net earnings, or (ii) elects the option to measure its investment at fair value. Intercompany transactions and balances have been eliminated.

2. *RECENT ACCOUNTING DEVELOPMENTS*

Financial Instruments—Credit Losses: Measurement of Credit Losses on Financial Instruments—In June 2016, the FASB issued new guidance regarding the measurement of credit losses on financial instruments. The new guidance replaces the incurred loss impairment methodology in the current guidance with a methodology that reflects current expected credit losses ("CECL") and requires consideration of a broader range of reasonable and supportable information to determine credit loss estimates.

The Company adopted the new guidance on January 1, 2020 using a modified retrospective approach and recorded a $7,571 cumulative-effect adjustment to retained earnings upon adoption. The impact of the new guidance primarily relates to the Company's fee receivables.

To comply with the CECL model, the Company applies a bad debt charge-off rate, determined based on historical charge-off experience and adjusted for specific allowance based on current conditions of individual customers, to measure the expected credit loss for fee receivables. The Company also performs a qualitative assessment, on a quarterly basis, to monitor economic factors and other uncertainties that may require additional adjustment to the expected credit loss allowance.

See Note 4 for further details on the Company's receivables and allowance for doubtful accounts.

Intangibles—Goodwill and Other: Simplifying the Test for Goodwill Impairment—In January 2017, the FASB issued updated guidance which eliminated Step 2 from the goodwill impairment test. Step 2 is the process of measuring a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. The new guidance requires entities to measure a goodwill impairment loss as the amount by which a reporting unit's carrying value exceeds its fair value, limited to the carrying amount of goodwill. The FASB also eliminated the requirements for entities that have reporting units with zero or negative carrying amounts to perform a qualitative assessment for the goodwill impairment test. Instead, those entities would be required to disclose the amount of goodwill allocated to each reporting unit with a zero or negative carrying amount. The Company adopted the new guidance on January 1, 2020 and, in accordance with the new guidance, applied it prospectively to goodwill impairment tests performed after the adoption date.

Intangibles—Internal-Use Software: Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract—In August 2018, the FASB issued updated guidance on the accounting for implementation costs incurred in a cloud computing arrangement. The new guidance requires the capitalization of the implementation costs incurred in a cloud computing arrangement to be aligned with the requirements for capitalizing costs incurred to develop or obtain internal-use software. The Company adopted the new guidance as of January 1, 2020 and, in accordance with the new guidance, applied it prospectively to implementation costs incurred after the adoption date.

Related Party Guidance for Variable Interest Entities—In October 2018, the FASB issued updated guidance that requires consideration of indirect interest held through related parties under common control for determining whether fees paid to decision makers and service providers are variable interests. The amendments are required to be applied retrospectively with a cumulative-effect adjustment. The Company adopted the new guidance as of January 1, 2020 and its application did not have a material impact to the Company's financial statements.

Fair Value Measurement: Changes to the Disclosure Requirements for Fair Value Measurement—In August 2018, the FASB issued updated guidance which modifies the disclosure requirements on fair value measurement. The updated guidance eliminates or modifies various required disclosures under the current guidance and includes additional requirements. The additional disclosures related to level 3 fair value measurements are to be applied prospectively and other amendments are to be applied retrospectively. The Company adopted the new guidance on January 1, 2020 and its application did not have a material impact to the Company's financial statements.

Compensation–Retirement Benefits: Changes to the Disclosure Requirements for Defined Benefit Plans—In August 2018, the FASB issued updated guidance which modifies the disclosure requirements regarding defined benefit plans and other postretirement plans. The updated guidance eliminates or clarifies certain currently required disclosures and includes additional requirements. The Company adopted the new guidance on January 1, 2020 and will update its annual disclosures in accordance with the new guidance.

Simplifying the Accounting for Income Taxes—In December 2019, the FASB issued new guidance to simplify the accounting for income taxes. The amendments include the removal of certain exceptions and various improvements. These improvements are related to the accounting for franchise tax based on income, evaluation of step up in tax basis of goodwill, allocation of consolidated tax expense to standalone legal entities, recognition of enacted change in tax laws or rates, and other minor changes. The new guidance is effective for annual and interim reporting periods beginning after December 15, 2020, with early adoption permitted. The Company is currently evaluating the new guidance.

3. REVENUE RECOGNITION

Investment Banking and Other Advisory Fees—Fees for Financial Advisory services are recorded when: (i) a contract with a client has been identified, (ii) the performance obligations in the contract have been identified, (iii) the fee or other transaction price has been determined, (iv) the fee or other transaction price has been allocated to each performance obligation in the contract, and (v) the Company has satisfied the applicable performance obligation. The expenses that are directly related to such transactions are recorded as incurred and presented within operating expenses when the Company is primarily responsible for fulfilling the promise of the arrangement. Revenues associated with the reimbursement of such expenses are recorded when the Company is contractually entitled to reimbursement and presented within investment banking and other advisory fees.

Asset Management Fees—Fees for Asset Management services are primarily comprised of management fees and incentive fees. Management fees are derived from fees for investment management and other services provided to clients. Revenue is recorded in accordance with the same five criteria as Financial Advisory fees, which generally results in management fees being recorded on a daily, monthly or quarterly basis, primarily based on a percentage of client assets managed. Fees vary with the type of assets managed, with higher fees earned on equity assets, alternative investment (such as hedge fund) and private equity funds, and lower fees earned on fixed income and money market products. Expenses that are directly related to the sale or distribution of fund interests are recorded as incurred and presented within operating expenses when the Company is primarily responsible for fulfilling the promise of the arrangement. Revenues associated with the reimbursement of such expenses are recorded when the Company is contractually entitled to reimbursement and presented within asset management fees.

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

For hedge funds, incentive fees are calculated based on a specific percentage of a fund's net appreciation, in some cases in excess of established benchmarks or thresholds. The Company records incentive fees on traditional products and hedge funds when a significant reversal in the amount of the cumulative revenue to be recognized is not probable, which is typically at the end of the relevant performance measurement period. The incentive fee measurement period is generally an annual period (unless an account is terminated during the year). The incentive fees received at the end of the measurement period are not subject to reversal or payback.

(dollars in thousands, unless otherwise noted)

Incentive fees on hedge funds generally are subject to loss carryforward provisions in which losses incurred by the hedge funds in any year are applied against certain gains realized by the hedge funds in future periods before any incentive fees can be earned.

For private equity funds, incentive fees may be earned in the form of a "carried interest" if profits arising from realized investments exceed a specified threshold. Typically, such carried interest is ultimately calculated on a whole-fund basis and, therefore, clawback of carried interests during the life of the fund can occur. As a result, the Company records incentive fees earned on our private equity funds when a significant reversal in the amount of the cumulative revenue to be recognized is not probable, which is typically at the end of the relevant performance period.

Receivables relating to asset management and incentive fees are reported in "fees receivable" on the consolidated statements of financial condition.

The Company disaggregates revenue based on its business segment results and believes that the following information provides a reasonable representation of how performance obligations relate to the nature, amount, timing and uncertainty of revenue and cash flows:

	Three Months Ended March 31,	
	2020	2019
Net Revenue:		
Financial Advisory (a)	$ 298,970	$ 321,926
Asset Management:		
Management Fees and Other (b)	$ 281,007	$ 301,253
Incentive Fees (c)	1,514	580
Total Asset Management	$ 282,521	$ 301,833

(a) Financial Advisory is comprised of M&A Advisory, Capital Advisory, Capital Raising, Restructuring, Shareholder Advisory, Sovereign Advisory, and other strategic advisory work for clients. The benefits of these advisory services are generally transferred to the Company's clients over time, and consideration for these advisory services typically includes transaction completion, transaction announcement and retainer fees. Retainer fees are generally fixed and recognized over the period in which the advisory services are performed. However, transaction announcement and transaction completion fees are variable and subject to constraints, and they are typically not recognized until there is an announcement date or a completion date, respectively, due to the uncertainty associated with those events. Therefore, in any given period, advisory fees recognized for certain transactions will relate to services performed in prior periods. The advisory fees that may be unrecognized as of the end of a reporting period, primarily comprised of fees associated with transaction announcements and transaction completions, generally remain unrecognized due to the uncertainty associated with those events.

(b) Management fees and other is primarily comprised of management services. The benefits of these management services are transferred to the Company's clients over time. Consideration for these management services generally includes management fees, which are based on assets under management and recognized over the period in which the management services are performed. The selling or distribution of fund interests is a separate performance obligation within management fees and other, and the benefits of such services are transferred to the Company's clients at the point in time that such fund interests are sold or distributed.

(c) Incentive fees is primarily comprised of management services. The benefits of these management services are transferred to the Company's clients over time. Consideration for these management services is generally variable and includes performance or incentive fees. The fees allocated to these management services that are unrecognized as of the end of the reporting period are generally amounts that are subject to constraints due to the uncertainty associated with performance targets and clawbacks.

In addition to the above, contracts with clients include trade-based commission income, which is recognized at the point in time of execution and presented within other revenue. Such income may be earned by providing trade facilitation, execution, clearance and settlement, custody, and trade administration services to clients.

(dollars in thousands, unless otherwise noted)

With regard to the disclosure requirement for remaining performance obligations, the Company elected the practical expedients permitted in the guidance to (i) exclude contracts with a duration of one year or less; and (ii) exclude variable consideration, such as transaction completion and transaction announcement fees, that is allocated entirely to unsatisfied performance obligations. Excluded variable consideration typically relates to contracts with a duration of one year or less, and is generally constrained due to uncertainties. Therefore, when applying the practical expedients, amounts related to remaining performance obligations are not material to the Company's financial statements.

4. RECEIVABLES

The Company's receivables represent fee receivables, amounts due from customers and other receivables, and amounts due from Lazard Ltd subsidiaries. The fee receivables are generally due within 60 days from the date of invoice except as related to certain Restructuring and Private Capital Advisory services which have fee receivables due upon specified contractual payment terms. For customer loans within customer and other receivables, the Company has elected to apply the practical expedient, in accordance with CECL guidance, for financial assets with collateral maintenance provisions, which results in no expected credit losses given that these loans are maintained with collateral having a fair value in excess of the carrying amount of the loans as of March 31, 2020.

Receivables are stated net of an estimated allowance for doubtful accounts determined in accordance with the CECL model, for general credit risk of the overall portfolio and for specific accounts deemed uncollectible, which may include situations where a fee is in dispute.

For fee receivables, the allowance for doubtful accounts is determined together for all Financial Advisory fees except for Private Capital Advisory given the different nature of the business, customer composition, and risk characteristics. In addition, a separate allowance for doubtful accounts is determined for all Asset Management fees. The allowance is measured by the application of an average charge-off rate, determined annually based on historical bad debt charge-off experience, to the fee receivable balance of the respective services, adjusted for specific allowance recognized based on current conditions of individual customers. The current factors are considered on a quarterly basis and include the aging of the receivables, the customers' ability to make payments, and the Company's relationship with the customer. In addition, the Company also performs a qualitative assessment on a quarterly basis to monitor economic factors and other uncertainties that may require additional adjustment to the expected credit loss allowance.

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

Activity in the allowance for doubtful accounts for the three month periods ended March 31, 2020 and 2019 was as follows:

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Beginning Balance	$ 27,130	$ 40,115
Adjustment for adoption of new accounting guidance	7,571	-
Bad debt expense, net of reversals	(527)	3,829
Charge-offs, foreign currency translation and other adjustments	(2,890)	(736)
Ending Balance*	$ 31,284	$ 43,208

(dollars in thousands, unless otherwise noted)

*The allowance for doubtful accounts balances are substantially all related to M&A and Restructuring fee receivables which include recoverable expense receivables.

Bad debt expense, net of reversals represents the current period provision of expected credit losses and is included in "operating expenses—other" on the condensed consolidated statements of operations.

Of the Company's fee receivables at March 31, 2020 and December 31, 2019, $77,852 and $77,052, respectively, represented interest-bearing financing receivables for our Private Capital Advisory fees. In addition, at March 31, 2020, the Company had interest-bearing receivables from Lazard Ltd subsidiaries of $26,300. Based upon our historical loss experience, the credit quality of the counterparties, and the lack of uncollectible amounts, there was no allowance for doubtful accounts required at those dates related to such receivables.

The aggregate carrying amount of our non-interest bearing receivables of $552,512 and $620,599 at March 31, 2020 and December 31, 2019, respectively, approximates fair value.

5. *INVESTMENTS*

The Company's investments and securities sold, not yet purchased, consist of the following at March 31, 2020 and December 31, 2019:

	March 31, 2020	December 31, 2019
Interest-bearing deposits	$ 450	$ 517
Debt	-	100,000
Equities	42,265	48,521
Funds:		
Alternative investments (a)	29,832	16,581
Debt (a)	139,997	113,579
Equity (a)	254,051	218,435
Private equity	39,158	34,362
	463,038	382,957
Total investments	505,753	531,995
Less:		
Interest-bearing deposits	450	517
Investments, at fair value	$ 505,303	$ 531,478
Securities sold, not yet purchased, at fair value (included in "other liabilities")	$ 12,123	$ 12,894

(a) Interests in alternative investment funds, debt funds and equity funds include investments with fair values of $9,330, $106,267 and $205,858, respectively, at March 31, 2020 and $9,881, $78,360 and $170,897, respectively, at December 31, 2019, held in order to satisfy the Company's liability upon vesting of previously granted Lazard Fund Interests ("LFI") and other similar deferred compensation arrangements. LFI represent grants by the Company to eligible employees of actual or notional interests in a number of Lazard-managed funds, subject to service-based vesting conditions (see Notes 7 and 13).

Interest-bearing deposits have original maturities of greater than three months but equal to or less than one year and are carried at cost that approximates fair value due to their short-term maturities.

Debt primarily consists of U.S. Treasury securities with original maturities of greater than three months and less than one year.

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

Alternative investment funds primarily consist of interests in various Lazard-managed hedge funds, funds of funds and mutual funds. Such amounts primarily consist of seed investments in funds related to our Asset Management business and amounts related to LFI discussed above.

Debt funds primarily consist of seed investments in funds related to our Asset Management business that invest in debt securities, amounts related to LFI discussed above and an investment in a Lazard-managed debt fund.

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

Private equity investments include those owned by Lazard and those consolidated but not owned by Lazard. Private equity investments owned by Lazard are primarily comprised of investments in private equity funds. Such investments primarily include (i) Edgewater Growth Capital Partners III, L.P. ("EGCP III"), a fund primarily making equity and buyout investments in middle market companies and (ii) a fund targeting significant noncontrolling-stake investments in established private companies.

Private equity investments consolidated but not owned by Lazard relate to the economic interests that are owned by the management team and other investors in the Edgewater Funds ("Edgewater").

During the three month periods ended March 31, 2020 and 2019, the Company reported in "revenue-other" on its condensed consolidated statements of operations net unrealized investment gains and losses pertaining to "equity securities and trading debt securities" still held as of the reporting date as follows:

	Three Months Ended March 31,	
	2020	2019
Net unrealized investment gains (losses)	$ (44,432)	$ 19,923

6. *FAIR VALUE MEASUREMENTS*

Fair Value Hierarchy of Investments and Certain Other Assets and Liabilities—Lazard categorizes its investments and certain other assets and liabilities recorded at fair value into a three-level fair value hierarchy as follows:

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

Level 2. Assets and liabilities whose values are based on (i) quoted prices for similar assets or liabilities in an active market, or quoted prices for identical or similar assets or liabilities in non-active markets, or (ii) inputs other than quoted prices that are directly observable or derived principally from, or corroborated by, market data.

Level 3. Assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect our own assumptions about the assumptions a market participant would use in pricing the asset or liability. Items included in Level 3 include securities or other financial assets whose trading volume and level of activity have significantly decreased when compared with normal market activity and there is no longer sufficient frequency or volume to provide pricing information on an ongoing basis.

The fair value of debt is classified as Level 1 when the fair values are based on unadjusted quoted prices in active markets.

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

The fair value of investments in alternative investment funds, debt funds and equity funds is classified as Level 1 when the fair values are primarily based on the publicly reported closing price for the fund.

(dollars in thousands, unless otherwise noted)

The fair value of investments in private equity funds is classified as Level 3 for certain investments that are valued based on the potential transaction value as of March 31, 2020.

The fair value of securities sold, not yet purchased, is classified as Level 1 when the fair values are based on unadjusted quoted prices in active markets.

The fair value of the contingent consideration liability is classified as Level 3 and the fair value of the liability is remeasured at each reporting period. The inputs used to derive the fair value of the contingent consideration include the application of probabilities when assessing certain performance thresholds for the relevant periods. Any change in the fair value is recognized in "amortization and other acquisition-related (benefits) costs" in the condensed consolidated statement of operations. Our business acquisitions may involve the potential payment of contingent consideration upon the achievement of certain performance thresholds. The contingent consideration liability is initially recorded at fair value of the contingent payments on the acquisition date and is included in "other liabilities" on the condensed consolidated statements of financial condition.

The fair value of derivatives entered into by the Company is classified as Level 2 and is based on the values of the related underlying assets, indices or reference rates as follows: the fair value of forward foreign currency exchange rate contracts is a function of the spot rate and the interest rate differential of the two currencies from the trade date to settlement date; the fair value of total return swaps is based on the change in fair value of the related underlying equity security, financial instrument or index and a specified notional holding; the fair value of interest rate swaps is based on the interest rate yield curve; and the fair value of derivative liabilities related to LFI and other similar deferred compensation arrangements is based on the value of the underlying investments, adjusted for forfeitures. See Note 7.

Investments Measured at Net Asset Value ("NAV")—As a practical expedient, the Company uses NAV or its equivalent to measure the fair value of certain investments. NAV is primarily determined based on information provided by external fund administrators. The Company's investments valued at NAV as a practical expedient in (i) alternative investment funds, debt funds and equity funds are redeemable in the near term, and (ii) private equity funds are not redeemable in the near term as a result of redemption restrictions.

The following tables present, as of March 31, 2020 and December 31, 2019, the classification of (i) investments and certain other assets and liabilities measured at fair value on a recurring basis within the fair value hierarchy and (ii) investments measured at NAV or its equivalent as a practical expedient:

	March 31, 2020				
	Level 1	Level 2	Level 3	NAV	Total
Assets:					
Investments:					
Equities	$ 40,840	$ -	$ 1,425	$ -	$ 42,265
Funds:					
Alternative investments	14,747	-	-	15,085	29,832
Debt	139,992	-	-	5	139,997
Equity	254,020	-	-	31	254,051
Private equity	-	-	1,347	37,811	39,158
Derivatives	-	26,621	-	-	26,621
Total	$ 449,599	$ 26,621	$ 2,772	$ 52,932	$ 531,924
Liabilities:					
Securities sold, not yet purchased	$ 12,123	$ -	$ -	$ -	$ 12,123
Derivatives	-	274,884	-	-	274,884
Total	$ 12,123	$ 274,884	$ -	$ -	$ 287,007

(dollars in thousands, unless otherwise noted)

	December 31, 2019				
	Level 1	Level 2	Level 3	NAV	Total
Assets:					
Investments:					
Debt	$ 100,000	$ -	$ -	$ -	$ 100,000
Equities	46,921	-	1,600	-	48,521
Funds:					
Alternative investments	15,731	-	-	850	16,581
Debt	113,574	-	-	5	113,579
Equity	218,393	-	-	42	218,435
Private equity	-	-	1,371	32,991	34,362
Derivatives	-	1,395	-	-	1,395
Total	$ 494,619	$ 1,395	$ 2,971	$ 33,888	$ 532,873
Liabilities:					
Securities sold, not yet purchased	$ 12,894	$ -	$ -	$ -	$ 12,894
Derivatives	-	236,273	-	-	236,273
Total	$ 12,894	$ 236,273	$ -	$ -	$ 249,167

The following tables provide a summary of changes in fair value of the Company’s Level 3 assets and liabilities for the three month periods ended March 31, 2020 and 2019:

	Three Months Ended March 31, 2020					
	Beginning Balance	Net Unrealized/ Realized Gains/Losses Included In Earnings (a)	Purchases/ Acquisitions	Sales/ Dispositions/ Settlements	Foreign Currency Translation Adjustments	Ending Balance
Assets:						
Investments:						
Equities	$ 1,600	$ (99)	$ -	$ -	$ (76)	$ 1,425
Private equity funds	1,371	(24)	-	-	-	1,347
Total Level 3 Assets	$ 2,971	$ (123)	$ -	$ -	$ (76)	$ 2,772

	Three Months Ended March 31, 2019					
	Beginning Balance	Net Unrealized/ Realized Gains/Losses Included In Earnings (a)	Purchases/ Acquisitions	Sales/ Dispositions/ Settlements	Foreign Currency Translation Adjustments	Ending Balance
Assets:						
Investments:						
Equities	$ 1,622	$ (2)	$ -	$ -	$ (2)	$ 1,618
Total Level 3 Assets	$ 1,622	$ (2)	$ -	$ -	$ (2)	$ 1,618
Liabilities:						
Contingent consideration liability	$ 1,309	$ (1,095)	$ -	$ -	$ -	$ 214
Total Level 3 Liabilities	$ 1,309	$ (1,095)	$ -	$ -	$ -	$ 214

(dollars in thousands, unless otherwise noted)

(a) Earnings recorded in "other revenue" for investments in equities for the three month periods ended March 31, 2020 and 2019 include net unrealized losses of $123 and $2, respectively. Earnings recorded in "amortization and other acquisition-related costs (benefits)" for the contingent consideration liability for the three month period ended March 31, 2019 include unrealized gains of $1,095.

There were no transfers between any of the Level 1, 2 and 3 categories in the fair value measurement hierarchy during the three month periods ended March 31, 2020 and 2019.

The following tables present, at March 31, 2020 and December 31, 2019, certain investments that are valued using NAV or its equivalent as a practical expedient in determining fair value:

	March 31, 2020							
				Estimated Liquidation Period of Investments Not Redeemable			Investments Redeemable	
	Fair Value	Unfunded Commitments	% of Fair Value Not Redeemable	% Next 5 Years	% 5-10 Years	% Thereafter	Redemption Frequency	Redemption Notice Period
Alternative investment funds:								
Hedge funds	$ 14,518	$ -	NA	NA	NA	NA	(a)	30-60 days
Other	567	-	NA	NA	NA	NA	(b)	<30-30 days
Debt funds	5	-	NA	NA	NA	NA	(c)	<30 days
Equity funds	31	-	NA	NA	NA	NA	(d)	<30-60 days
Private equity funds:								
Equity growth	37,811	6,056 (e)	100%	17%	25%	58%	NA	NA
Total	$ 52,932	$ 6,056						

(a) monthly (99%) and quarterly (1%)
(b) daily (6%) and monthly (94%)
(c) daily (100%)
(d) monthly (31%) and annually (69%)
(e) Unfunded commitments to private equity investments consolidated but not owned by Lazard of $11,155 are excluded. Such commitments are required to be funded by capital contributions from noncontrolling interest holders.

	December 31, 2019							
				Estimated Liquidation Period of Investments Not Redeemable			Investments Redeemable	
	Fair Value	Unfunded Commitments	% of Fair Value Not Redeemable	% Next 5 Years	% 5-10 Years	% Thereafter	Redemption Frequency	Redemption Notice Period
Alternative investment funds:								
Hedge funds	$ 241	$ -	NA	NA	NA	NA	(a)	30-60 days
Other	609	-	NA	NA	NA	NA	(b)	<30-30 days
Debt funds	5	-	NA	NA	NA	NA	(c)	<30 days
Equity funds	42	-	NA	NA	NA	NA	(d)	<30-60 days
Private equity funds:								
Equity growth	32,991	6,056 (e)	100%	22%	12%	66%	NA	NA
Total	$ 33,888	$ 6,056						

(a) monthly (52%) and quarterly (48%)
(b) daily (6%) and monthly (94%)
(c) daily (100%)
(d) monthly (34%) and annually (66%)
(e) Unfunded commitments to private equity investments consolidated but not owned by Lazard of $11,155 are excluded. Such commitments are required to be funded by capital contributions from noncontrolling interest holders.

(dollars in thousands, unless otherwise noted)

Investment Capital Funding Commitments—At March 31, 2020, the Company's maximum unfunded commitments for capital contributions to investment funds primarily arose from commitments to EGCP III, which amounted to $5,484. The investment period for EGCP III ended on October 12, 2016, after which point the Company's obligation to fund capital contributions for new investments in EGCP III expired. The Company remains obligated until October 12, 2023 (or any earlier liquidation of EGCP III) to make capital contributions necessary to fund follow-on investments and to pay for fund expenses.

7. DERIVATIVES

The Company enters into forward foreign currency exchange rate contracts, interest rate swaps, interest rate futures, total return swap contracts on various equity and debt indices and other derivative contracts to economically hedge exposures to fluctuations in currency exchange rates, interest rates and equity and debt prices. The Company reports its derivative instruments separately as assets and liabilities unless a legal right of set-off exists under a master netting agreement enforceable by law. The Company's derivative instruments are recorded at their fair value, and are included in "other assets" and "other liabilities" on the condensed consolidated statements of financial condition. Gains and losses on the Company's derivative instruments are generally included in "interest income" and "interest expense", respectively, or "revenue-other", depending on the nature of the underlying item, in the condensed consolidated statements of operations.

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

The table below presents the fair value of the Company's derivative instruments reported within "other assets" and "other liabilities" and the fair value of the Company's derivative liabilities relating to its obligations pertaining to LFI and other similar deferred compensation arrangements reported within "accrued compensation and benefits" (see Note 13) on the accompanying condensed consolidated statements of financial condition as of March 31, 2020 and December 31, 2019:

	March 31, 2020	December 31, 2019
Derivative Assets:		
Forward foreign currency exchange rate contracts	$ 7,859	$ 1,395
Total return swaps and other (a)	18,762	-
	$ 26,621	$ 1,395
Derivative Liabilities:		
Forward foreign currency exchange rate contracts	$ 3,281	$ 1,720
Total return swaps and other (a)	-	8,527
LFI and other similar deferred compensation arrangements	271,603	226,026
	$ 274,884	$ 236,273

(a) For total return swaps, amounts represent the netting of gross derivative assets and liabilities of $19,148 and $386 as of March 31, 2020, respectively, and $152 and $8,679 as of December 31, 2019, respectively, for contracts with the same counterparty under legally enforceable master netting agreements. Such amounts are recorded "net" in "other assets" and "other liabilities" as of March 31, 2020 and December 31, 2019, respectively.

(dollars in thousands, unless otherwise noted)

Net gains (losses) with respect to derivative instruments (predominantly reflected in "revenue-other") and the Company's derivative liabilities relating to its obligations pertaining to LFI and other similar deferred compensation arrangements (included in "compensation and benefits" expense) as reflected on the accompanying condensed consolidated statements of operations for the three month periods ended March 31, 2020 and 2019, were as follows:

	Three Months Ended March 31,	
	2020	2019
Forward foreign currency exchange rate contracts	$ 1,772	$ 4,520
LFI and other similar deferred compensation arrangements	19,637	(13,870)
Total return swaps and other	18,845	(7,657)
Total	$ 40,254	$ (17,007)

8. *PROPERTY*

At March 31, 2020 and December 31, 2019, property consisted of the following:

	Estimated Depreciable Life in Years	March 31, 2020	December 31, 2019
Buildings	33	$ 138,777	$ 142,298
Leasehold improvements	3-20	195,384	196,277
Furniture and equipment	3-10	213,489	214,700
Construction in progress		41,409	32,476
Total		589,059	585,751
Less - Accumulated depreciation and amortization		369,568	366,880
Property		$ 219,491	$ 218,871

9. *GOODWILL AND OTHER INTANGIBLE ASSETS*

The components of goodwill and other intangible assets at March 31, 2020 and December 31, 2019 are presented below:

	March 31, 2020	December 31, 2019
Goodwill	$ 335,897	$ 350,029
Other intangible assets (net of accumulated amortization)	1,494	1,768
	$ 337,391	$ 351,797

At March 31, 2020 and December 31, 2019, goodwill of $271,356 and $285,488, respectively, was attributable to the Company's Financial Advisory segment and, at each such respective date, $64,541 of goodwill was attributable to the Company's Asset Management segment.

Changes in the carrying amount of goodwill for the three month periods ended March 31, 2020 and 2019 are as follows:

	Three Months Ended March 31,	
	2020	2019
Balance, January 1	$ 350,029	$ 350,829
Foreign currency translation adjustments	(14,132)	361
Balance, March 31	$ 335,897	$ 351,190

(dollars in thousands, unless otherwise noted)

All changes in the carrying amount of goodwill for the three month periods ended March 31, 2020 and 2019 are attributable to the Company's Financial Advisory segment.

The gross cost and accumulated amortization of other intangible assets as of March 31, 2020 and December 31, 2019, by major intangible asset category, are as follows:

	March 31, 2020			December 31, 2019		
	Gross Cost	Accumulated Amortization	Net Carrying Amount	Gross Cost	Accumulated Amortization	Net Carrying Amount
Success/incentive fees	$ 33,040	$ 31,916	$ 1,124	$ 33,040	$ 31,542	$ 1,498
Management fees, customer relationships and non-compete agreements	34,639	34,269	370	34,485	34,215	270
	$ 67,679	$ 66,185	$ 1,494	$ 67,525	$ 65,757	$ 1,768

Amortization expense of intangible assets, included in "amortization and other acquisition-related costs (benefits)" in the condensed consolidated statements of operations, for the three month periods ended March 31, 2020 and 2019 was $428 and $411, respectively. Estimated future amortization expense is as follows:

Year Ending December 31,	Amortization Expense
2020 (April 1 through December 31)	$ 1,284
2021	60
2022	60
2023	60
2024	30
Total amortization expense	$ 1,494

10. SENIOR DEBT

Senior debt is comprised of the following as of March 31, 2020 and December 31, 2019:

				Outstanding as of					
				March 31, 2020			December 31, 2019		
	Initial Principal Amount	Maturity Date	Annual Interest Rate(b)	Principal	Unamortized Debt Costs	Carrying Value	Principal	Unamortized Debt Costs	Carrying Value
Lazard Group 2025 Senior Notes	400,000	2/13/25	3.75%	400,000	2,298	397,702	400,000	2,416	397,584
Lazard Group 2027 Senior Notes	300,000	3/1/27	3.625%	300,000	2,723	297,277	300,000	2,822	297,178
Lazard Group 2028 Senior Notes	500,000	9/19/28	4.50%	500,000	7,590	492,410	500,000	7,814	492,186
Lazard Group 2029 Senior Notes (a)	500,000	3/11/29	4.375%	500,000	7,185	492,815	500,000	7,386	492,614
Total				$ 1,700,000	$ 19,796	$ 1,680,204	$ 1,700,000	$ 20,438	$ 1,679,562

(a) During March 2019, Lazard Group completed an offering of $500,000 aggregate principal amount of 4.375% senior notes due 2029 (the "2029 Notes"). Interest on the 2029 Notes is payable semi-annually on March 11 and September 11 of each year, beginning September 11, 2019. Lazard Group used a portion of the net proceeds of the 2029 Notes to redeem or otherwise retire $250,000 aggregate principal amount of the 4.25% senior notes due 2020 (the "2020 Notes"). In March 2019, $167,943 aggregate principal amount was redeemed or otherwise retired, and the remaining $82,057 was redeemed or otherwise retired in April 2019.

(b) The effective interest rates of Lazard Group's 3.75% senior notes due February 13, 2025 (the "2025 Notes"), Lazard Group's 3.625% senior notes due March 1, 2027 (the "2027 Notes"), Lazard Group's 4.50% senior notes due September 19, 2028 (the "2028 Notes"), and the 2029 Notes are 3.87%, 3.76%, 4.68% and 4.54%, respectively.

On September 25, 2015, Lazard Group entered into an Amended and Restated Credit Agreement for a five-year $150,000 senior revolving credit facility with a group of lenders (the "Amended and Restated Credit Agreement"), which expires in September 2020. The Amended and Restated Credit Agreement amended and restated the previous credit agreement dated September 25, 2012. Borrowings under the Amended and Restated Credit Agreement generally will bear interest at LIBOR plus an applicable margin for specific interest periods determined based on Lazard Group's highest credit rating from an internationally recognized credit agency. At March 31, 2020 and December 31, 2019, no amounts were outstanding under the Amended and Restated Credit Agreement.

The Amended and Restated Credit Agreement, the indenture and the supplemental indentures relating to Lazard Group's senior notes contain certain covenants, events of default and other customary provisions, including a customary make-whole provision in the event of early redemption, where applicable. As of March 31, 2020, the Company was in compliance with such provisions. All of the Company's senior debt obligations are unsecured.

As of March 31, 2020, the Company had approximately $168,000 in unused lines of credit available to it, including the credit facility provided under the Amended and Restated Credit Agreement and unused lines of credit available to LFB of approximately $16,000.

The Company's senior debt at March 31, 2020 and December 31, 2019 is carried at historical amounts of $1,680,204 and $1,679,562, respectively. At those dates, the fair value of such senior debt was approximately $1,701,000 and $1,839,000, respectively. The fair value of the Company's senior debt is based on market quotations. The Company's senior debt would be categorized within Level 2 of the hierarchy of fair value measurements if carried at fair value.

11. COMMITMENTS AND CONTINGENCIES

Other Commitments—The Company has various other contractual commitments arising in the ordinary course of business. In addition, from time to time, LFB and LFNY may enter into underwriting commitments in which it will participate as an underwriter. At March 31, 2020, LFB and LFNY had no such underwriting commitments.

See Notes 6 and 14 for information regarding commitments relating to investment capital funding commitments and obligations to fund our pension plans, respectively.

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

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

(dollars in thousands, unless otherwise noted)

12. *MEMBERS' EQUITY*

Lazard Group Distributions—Distributions in respect of Lazard Group's common membership interests are allocated to the holders of such interests in accordance with the provisions of the Operating Agreement. Such distributions primarily represent amounts necessary to fund (i) any dividends Lazard Ltd may declare on its Class A common stock ("common stock") and (ii) tax distributions in respect of income taxes that Lazard Ltd's subsidiaries incur.

During the three month period ended March 31, 2019, Lazard Group distributed $52,210 to the subsidiaries of Lazard Ltd.

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

Contributions From Members—See Note 17 for information regarding related party transaction.

Share Repurchase Program—During the three month period ended March 31, 2020 and since 2018, the Board of Directors of Lazard authorized the repurchase of common stock as set forth in the table below:

Date		Repurchase Authorization	Expiration
April 2018	$	300,000	December 31, 2020
October 2018	$	300,000	December 31, 2020
February 2019	$	300,000	December 31, 2020
October 2019	$	300,000	December 31, 2021

The Company expects that the share repurchase program will continue to be used to offset a portion of the shares that have been or will be issued under the Lazard Ltd 2008 Incentive Compensation Plan (the "2008 Plan") and the Lazard Ltd 2018 Incentive Compensation Plan (the "2018 Plan"). Pursuant to the share repurchase program, purchases have been made in the open market or through privately negotiated transactions. The rate at which the Company purchases shares in connection with the share repurchase program may vary from period to period due to a variety of factors. Purchases with respect to such program are set forth in the table below:

Three Months Ended March 31:	Number of Shares Purchased		Average Price Per Share
2019	5,177,948	$	37.10
2020	2,912,035	$	32.70

During the three month periods ended March 31, 2020 and 2019, certain of our executive officers received common stock in connection with the vesting or settlement of previously-granted deferred equity incentive awards. The vesting or settlement of such equity awards gave rise to a tax payable by the executive officers, and, consistent with our past practice, the Company purchased shares of common stock from certain of our executive officers equal in value to all or a portion of the estimated amount of such tax. In addition, during the three month period ended March 31, 2020, the Company purchased shares of common stock from certain of our executive officers. The aggregate value of all such purchases during the three month periods ended March 31, 2020 and 2019 was approximately $10,000 and $14,600, respectively. Such shares of common stock are reported at cost.

As of March 31, 2020, a total of $305,598 of share repurchase authorization remained available under Lazard Ltd's share repurchase program, $5,598 of which will expire on December 31, 2020 and $300,000 of which will expire on December 31, 2021.

During the three month period ended March 31, 2020, Lazard Ltd had in place trading plans under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), pursuant to which it effected stock repurchases in the open market.

(dollars in thousands, unless otherwise noted)

Accumulated Other Comprehensive Income (Loss), Net of Tax—The tables below reflect the balances of each component of AOCI at March 31, 2020 and 2019 and activity during the three month periods then ended:

	Three Months Ended March 31, 2020				
	Currency Translation Adjustments	Employee Benefit Plans	Total AOCI	Amount Attributable to Noncontrolling Interests	Total Lazard Group AOCI
Balance, January 1, 2020	$ (74,369)	$ (176,035)	$ (250,404)	$ -	$ (250,404)
Activity:					
Other comprehensive income (loss) before reclassifications	(46,966)	9,088	(37,878)	-	(37,878)
Adjustments for items reclassified to earnings, net of tax	-	1,895	1,895		1,895
Net other comprehensive income (loss)	(46,966)	10,983	(35,983)	-	(35,983)
Balance, March 31, 2020	$ (121,335)	$ (165,052)	$ (286,387)	$ -	$ (286,387)

	Three Months Ended March 31, 2019				
	Currency Translation Adjustments	Employee Benefit Plans	Total AOCI	Amount Attributable to Noncontrolling Interests	Total Lazard Group AOCI
Balance, January 1, 2019	$ (82,829)	$ (145,831)	$ (228,660)	$ -	$ (228,660)
Activity:					
Other comprehensive income before reclassifications	2,929	49	2,978	1	2,977
Adjustments for items reclassified to earnings, net of tax	-	1,132	1,132	-	1,132
Net other comprehensive income	2,929	1,181	4,110	1	4,109
Balance, March 31, 2019	$ (79,900)	$ (144,650)	$ (224,550)	$ 1	$ (224,551)

The table below reflects adjustments for items reclassified out of AOCI, by component, for the three month periods ended March 31, 2020 and 2019:

	Three Months Ended March 31,	
	2020	2019
Amortization relating to employee benefit plans (a)	$ 2,233	$ 1,310
Less - related income taxes	338	178
Total reclassifications, net of tax	$ 1,895	$ 1,132

(a) Included in the computation of net periodic benefit cost (see Note 14). Such amounts are included in "operating expenses—other" on the condensed consolidated statements of operations.

Noncontrolling Interests—Noncontrolling interests principally represent (i) interests held in Edgewater's management vehicles that the Company is deemed to control, but does not own and (ii) consolidated VIE interests held by employees (see Note 20).

(dollars in thousands, unless otherwise noted)

The tables below summarize net loss attributable to noncontrolling interests for the three month periods ended March 31, 2020 and 2019 and noncontrolling interests as of March 31, 2020 and December 31, 2019 in the Company’s condensed consolidated financial statements:

	Net Income (Loss) Attributable to Noncontrolling Interests Three Months Ended March 31, 2020	2019
Edgewater	$ (1,403)	$ (566)
Consolidated VIEs	(4,288)	-
Total	$ (5,691)	$ (566)

	Noncontrolling Interests as of March 31, 2020	December 31, 2019
Edgewater	$ 47,339	$ 50,151
Consolidated VIEs	22,404	18,241
Other	13	14
Total	$ 69,756	$ 68,406

13. INCENTIVE PLANS

Share-Based Incentive Plan Awards

A description of Lazard Ltd’s 2018 Plan, 2008 Plan and 2005 Equity Incentive Plan (the “2005 Plan”) and activity with respect thereto during the three month periods ended March 31, 2020 and 2019 is presented below.

Shares Available Under the 2018 Plan, 2008 Plan and 2005 Plan

The 2018 Plan became effective on April 24, 2018 and replaced the 2008 Plan, which was terminated on April 24, 2018. The 2018 Plan authorizes the issuance of up to 30,000,000 shares of common stock pursuant to the grant or exercise of stock options, stock appreciation rights, restricted stock units (“RSUs”), performance-based restricted stock units (“PRSUs”), profits interest participation rights, including performance-based restricted participation units (“PRPUs”), and other share-based awards.

The 2008 Plan authorized the issuance of shares of common stock pursuant to the grant or exercise of stock options, stock appreciation rights, RSUs, PRSUs and other share-based awards. Under the 2008 Plan, the maximum number of shares available was based on a formula that limited the aggregate number of shares that could, at any time, be subject to awards that were considered “outstanding” under the 2008 Plan to 30% of the then-outstanding shares of common stock. The 2008 Plan was terminated on April 24, 2018, and no additional awards have been or will be granted under the 2008 Plan after its termination, although outstanding awards granted under the 2008 Plan before its termination continue to be subject to its terms.

The 2005 Plan authorized the issuance of up to 25,000,000 shares of common stock pursuant to the grant or exercise of stock options, stock appreciation rights, RSUs and other share-based awards. The 2005 Plan expired in the second quarter of 2015, although outstanding deferred stock unit (“DSU”) awards granted under the 2005 Plan before its expiration continue to be subject to its terms.

(dollars in thousands, unless otherwise noted)

The following reflects the amortization expense recorded with respect to share-based incentive plans within “compensation and benefits” expense (with respect to RSUs, PRSUs, profits interest participation rights, including PRPUs, and other share-based awards) and “professional services” expense (with respect to DSUs) within the Company’s accompanying condensed consolidated statements of operations for the three month periods ended March 31, 2020 and 2019:

	Three Months Ended March 31,	
	2020	2019
Share-based incentive awards:		
RSUs	$ 42,917	$ 55,197
PRSUs	4,361	1,321
Restricted Stock	8,531	9,512
Profits interest participation rights	16,166	18,468
DSUs	93	91
Total	$ 72,068	$ 84,589

The ultimate amount of compensation and benefits expense relating to share-based awards is dependent upon the actual number of shares of common stock that vest. The Company periodically assesses the forfeiture rates used for such estimates, including as a result of any applicable performance conditions. A change in estimated forfeiture rates or performance results in a cumulative adjustment to compensation and benefits expense and also would cause the aggregate amount of compensation expense recognized in future periods to differ from the estimated unrecognized compensation expense described below.

The Company’s share-based incentive plans and awards are described below.

RSUs and DSUs

RSUs generally require future service as a condition for the delivery of the underlying shares of common stock (unless the recipient is then eligible for retirement under the Company’s retirement policy) and convert into shares of common stock on a one-for-one basis after the stipulated vesting periods. The grant date fair value of the RSUs, net of an estimated forfeiture rate, is amortized over the vesting periods or requisite service periods (generally one-third after two years, and the remaining two-thirds after the third year), and is adjusted for actual forfeitures over such period.

RSUs generally include a dividend participation right that provides that during the applicable vesting period each RSU is attributed additional RSUs equivalent to any dividends paid on common stock during such period. During the three month period ended March 31, 2020, dividend participation rights required the issuance of 180,271 RSUs.

Non-executive members of the Board of Directors of Lazard Group, who are the same Non-Executive Directors of Lazard Ltd (“Non-Executive Directors”), receive approximately 55% of their annual compensation for service on the Board of Directors and its committees in the form of DSUs. Their remaining compensation is payable in cash, which they may elect to receive in the form of additional DSUs under the Directors’ Fee Deferral Unit Plan described below. DSUs are convertible into shares of common stock at the time of cessation of service to the Board of Directors. DSUs include a cash dividend participation right equivalent to dividends paid on common stock.

Lazard Ltd’s Directors’ Fee Deferral Unit Plan permits the Non-Executive Directors to elect to receive additional DSUs in lieu of some or all of their cash fees. The number of DSUs granted to a Non-Executive Director pursuant to this election will equal the value of cash fees that the applicable Non-Executive Director has elected to forego pursuant to such election, divided by the market value of a share of common stock on the date immediately preceding the date of the grant. During the three month period ended March 31, 2020, 4,416 DSUs had been granted pursuant to such Plan.

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

(dollars in thousands, unless otherwise noted)

The following is a summary of activity relating to RSUs and DSUs during the three month period ended March 31, 2020:

	RSUs		DSUs	
	Units	Weighted Average Grant Date Fair Value	Units	Weighted Average Grant Date Fair Value
Balance, January 1, 2020	10,387,566	$ 44.66	395,973	$ 38.01
Granted (including 180,271 RSUs relating to dividend participation)	2,937,529	$ 42.82	4,416	$ 42.31
Forfeited	(19,680)	$ 42.25	-	-
Settled	(4,009,221)	$ 47.00	-	-
Balance, March 31, 2020	9,296,194	$ 43.08	400,389	$ 38.05

In connection with RSUs that settled during the three month period ended March 31, 2020, the Company satisfied its minimum statutory tax withholding requirements in lieu of delivering 1,498,306 shares of common stock during such three month period. Accordingly, 2,510,915 shares of common stock held by the Company were delivered during the three month period ended March 31, 2020.

As of March 31, 2020, estimated unrecognized RSU compensation expense was $197,625, with such expense expected to be recognized over a weighted average period of approximately 1.0 years subsequent to March 31, 2020.

Restricted Stock

The following is a summary of activity related to shares of restricted common stock associated with compensation arrangements during the three month period ended March 31, 2020:

	Restricted Shares	Weighted Average Grant Date Fair Value
Balance, January 1, 2020	1,039,306	$ 41.79
Granted	670,672	$ 42.89
Forfeited	(7,311)	$ 37.60
Settled	(322,053)	$ 45.78
Balance, March 31, 2020	1,380,614	$ 41.41

In connection with shares of restricted common stock that settled during the three month period ended March 31, 2020, the Company satisfied its minimum statutory tax withholding requirements in lieu of delivering 122,758 shares of common stock during such three month period. Accordingly, 199,295 shares of common stock held by the Company were delivered during the three month period ended March 31, 2020.

Restricted stock awards granted in 2020 generally include a dividend participation right that provides that during the applicable vesting period each restricted stock award is attributed additional shares of restricted common stock equivalent to any dividends paid on common stock during such period. With respect to awards granted prior to 2020, the restricted stock awards include a cash dividend participation right equivalent to dividends paid on common stock during the period, which will vest concurrently with the underlying restricted stock award. At March 31, 2020, estimated unrecognized restricted stock expense was $37,120, with such expense to be recognized over a weighted average period of approximately 0.9 years subsequent to March 31, 2020.

PRSUs

PRSUs are RSUs that are subject to both performance-based and service-based vesting conditions. The number of shares of common stock that a recipient will receive upon vesting of a PRSU will be calculated by reference to certain performance metrics that relate to Lazard Ltd’s performance over a three-year period. The target number of shares of common stock subject to each PRSU is one; however, based on the achievement of the performance criteria, the number of shares of common stock that may be received in connection with each PRSU generally can range from zero to two times the target number. PRSUs will vest on a single date approximately three years following the date of the grant, provided the applicable service and performance conditions are satisfied. In addition, the performance metrics applicable to each PRSU will be evaluated on an annual basis at the end of each fiscal year during the performance period and, if Lazard Ltd has achieved a threshold level of performance with respect to the fiscal year, 25% of the target number of shares of common stock subject to each PRSU will no longer be at risk of forfeiture based on the achievement of performance criteria. PRSUs include dividend participation rights that provide that during vesting periods, the target number of PRSUs (or, following the relevant performance period, the actual number of shares of common stock that are no longer subject to performance conditions) receive dividend equivalents at the same rate that dividends are paid on common stock during such periods. These dividend equivalents are credited as RSUs that are not subject to the performance-based vesting criteria but are otherwise subject to the same restrictions as the underlying PRSUs to which they relate.

(dollars in thousands, unless otherwise noted)

The following is a summary of activity relating to PRSUs during the three month period ended March 31, 2020:

	PRSUs	Weighted Average Grant Date Fair Value
Balance, January 1, 2020	797,705	$ 47.65
Settled	(550,650)	$ 43.54
Balance, March 31, 2020	247,055	$ 56.80

In connection with certain PRSUs that settled during the three month period ended March 31, 2020, the Company satisfied its minimum statutory tax withholding requirements in lieu of delivering 91,314 shares of common stock during such three month period. Accordingly, 459,336 shares of common stock held by the Company were delivered during the three month period ended March 31, 2020.

Compensation expense recognized for PRSU awards is determined by multiplying the number of shares of common stock underlying such awards that, based on the Company’s estimate, are considered probable of vesting, by the grant date fair value. As of March 31, 2020, the total estimated unrecognized compensation expense was $2,318, and the Company expects to amortize such expense over a weighted-average period of approximately 0.5 years subsequent to March 31, 2020.

Profits Interest Participation Rights

In early 2019, the Company established a new long-term incentive compensation program consisting of profits interest participation rights, which are equity incentive awards that, subject to certain conditions, may be exchanged for shares of common stock pursuant to the 2018 Plan. Pursuant to the program, in February 2019 and February 2020, the Company granted profits interest participation rights subject to service-based and performance-based vesting criteria and other conditions, which we refer to as performance-based restricted participation units (“PRPUs”), to each of the Company’s NEOs, and profits interest participation rights subject to service-based vesting criteria and other conditions to a limited number of other senior employees, pursuant to profits interest participation right agreements. Profits interest participation rights generally provide for vesting approximately three years following the grant date, so long as applicable conditions have been satisfied.

(dollars in thousands, unless otherwise noted)

Profits interest participation rights are a class of membership interests in the Company that are intended to qualify as “profits interests” for U.S. federal income tax purposes, and are recorded within members’ equity in the Company’s condensed consolidated statements of financial condition. The profits interest participation rights generally allow the recipient to realize value only to the extent that both (i) the service-based vesting conditions and, if applicable, the performance conditions, are satisfied, and (ii) an amount of economic appreciation in the assets of the Company occurs as necessary to satisfy certain partnership tax rules (referred to as the "Minimum Value Condition") before the fifth anniversary of the grant date, otherwise the profits interest participation rights will be forfeited. Upon satisfaction of such conditions, profits interest participation rights that are in parity with the value of common stock will be exchanged on a one-for-one basis for shares of common stock. If forfeited based solely on failing to meet the Minimum Value Condition, the associated compensation expense would not be reversed. With regard to the profits interest participation rights granted in February 2019, the Minimum Value Condition was met during the three month period ended March 31, 2020.

Like outstanding RSUs and similar awards, profits interest participation rights are subject to continued employment and other conditions and restrictions and are forfeited if those conditions and restrictions are not fulfilled. More specifically, vesting of profits interest participation rights are subject to compliance with restrictive covenants including non-compete, non-solicitation of clients, no hire of employees and confidentiality, which are similar to those applicable to PRSUs and RSUs. In addition, profits interest participation rights must satisfy the Minimum Value Condition. PRPUs, like outstanding PRSUs, are subject to the achievement of incremental pre-established performance conditions and financial metrics and only result in value to the recipient to the extent the conditions are satisfied.

The number of shares of common stock that a recipient will receive upon the exchange of a PRPU award is calculated by reference to applicable financial metrics. The target number of shares of common stock subject to each PRPU is one. Based on the achievement of performance criteria, as determined by the Compensation Committee, the number of shares of common stock that may be received in connection with each PRPU award will range from zero to two times the target number. Unless applicable performance conditions are satisfied during the three year performance period, and the Minimum Value Condition is satisfied within five years following the grant date, all PRPUs will be forfeited, and the recipients will not be entitled to any such awards.

In addition, the performance metrics applicable to each PRPU will be evaluated on an annual basis at the end of each fiscal year during the performance period, and, if Lazard Ltd has achieved a threshold level of performance with respect to the fiscal year, 25% of the target number of PRPUs will no longer be at risk of forfeiture based on the achievement of performance criteria. Profits interest participation rights are allocated income, subject to vesting and settled in cash, in respect of dividends paid on common stock.

The following is a summary of activity relating to profits interest participation rights, including PRPUs, during the three month period ended March 31, 2020:

	Profits Interest Participation Rights	Weighted Average Grant Date Fair Value
Balance, January 1, 2020	1,462,702	$ 38.65
Granted	1,060,373	$ 42.89
Balance, March 31, 2020 (a)	2,523,075	$ 40.43

(a) Table includes 1,050,778 PRPUs, which represents the target number of PRPUs granted as of March 31, 2020, including 486,611 PRPUs granted during the three month period ended March 31, 2020. The weighted average grant date fair values for PRPUs and other profits interest participation rights outstanding as of January 1, 2020 and those granted during the three month period ended March 31, 2020 were, in each case, the same for PRPUs and other profits interest participation rights. The weighted average grant date fair values for PRPUs and other profits interest participation rights outstanding as of March 31, 2020 were $40.61 and $40.30, respectively.

Compensation expense recognized for profits interest participation rights, including PRPUs, is determined by multiplying the number of shares of common stock underlying such awards that, based on the Company’s estimate, are considered probable of vesting, by the grant date fair value. As of March 31, 2020, the total estimated unrecognized compensation expense was $46,761, and the Company expects to amortize such expense over a weighted-average period of approximately 0.9 years subsequent to March 31, 2020.

(dollars in thousands, unless otherwise noted)

LFI and Other Similar Deferred Compensation Arrangements

Commencing in February 2011, the Company granted LFI to eligible employees. In connection with LFI and other similar deferred compensation arrangements, which generally require future service as a condition for vesting, the Company recorded a prepaid compensation asset and a corresponding compensation liability on the grant date based upon the fair value of the award. The prepaid asset is amortized on a straight-line basis over the applicable vesting periods or requisite service periods (which are generally similar to the comparable periods for RSUs), and is charged to “compensation and benefits” expense within the Company’s condensed consolidated statement of operations. LFI and similar deferred compensation arrangements that do not require future service are expensed immediately. The related compensation liability is accounted for at fair value as a derivative liability, which contemplates the impact of estimated forfeitures, and is adjusted for changes in fair value primarily related to changes in value of the underlying investments.

The following is a summary of activity relating to LFI and other similar deferred compensation arrangements during the three month period ended March 31, 2020:

	Prepaid Compensation Asset	Compensation Liability
Balance, January 1, 2020	$ 74,597	$ 226,026
Granted	143,289	143,289
Settled	-	(76,799)
Forfeited	(937)	(960)
Amortization	(25,283)	-
Change in fair value related to:		
Decrease in fair value of underlying investments	-	(19,637)
Adjustment for estimated forfeitures	-	988
Other	(63)	(1,304)
Balance, March 31, 2020	$ 191,603	$ 271,603

The amortization of the prepaid compensation asset will generally be recognized over a weighted average period of approximately 1.0 years subsequent to March 31, 2020.

The following is a summary of the impact of LFI and other similar deferred compensation arrangements on “compensation and benefits” expense within the accompanying condensed consolidated statements of operations for the three month periods ended March 31, 2020 and 2019:

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Amortization, net of forfeitures	$ 26,248	$ 17,934
Change in the fair value of underlying investments	(19,637)	13,870
Total	$ 6,611	$ 31,804

14. EMPLOYEE BENEFIT PLANS

The Company provides retirement and other post-retirement benefits to certain of its employees through defined benefit pension plans (the “pension plans”). The Company also offers defined contribution plans to its employees. The pension plans generally provide benefits to participants based on average levels of compensation. Expenses related to the Company’s employee benefit plans are included in “compensation and benefits” expense for the service cost component, and “operating expenses—other” for the other components of benefit costs on the condensed consolidated statements of operations.

(dollars in thousands, unless otherwise noted)

Employer Contributions to Pension Plans—The Company's funding policy for its U.S. and non-U.S. pension plans is to fund when required or when applicable upon an agreement with the plans' trustees. Management also evaluates from time to time whether to make voluntary contributions to the plans.

The following table summarizes the components of net periodic benefit cost (credit) related to the Company's pension plans for the three month periods ended March 31, 2020 and 2019:

	Pension Plans	
	Three Months Ended March 31,	
	2020	2019
Components of Net Periodic Benefit Cost (Credit):		
Service cost	$ 135	$ 207
Interest cost	2,983	3,902
Expected return on plan assets	(6,628)	(7,026)
Amortization of:		
Prior service cost	27	29
Net actuarial loss (gain)	2,206	1,281
Settlement loss	922	1,783
Net periodic benefit cost (credit)	$ (355)	$ 176

15. *BUSINESS REALIGNMENT*

The Company conducted a review of our business, which resulted in a realignment that included employee reductions and the closing of subscale offices and investment strategies, most of which were completed during the third quarter of 2019.

Activity related to the obligations pursuant to business realignment during the three month period ended March 31, 2020 was as follows:

	Accrued Compensation and Benefits	Other Liabilities	Total
Balance, January 1, 2020	$ 20,210	$ 5,068	$ 25,278
Less:			
Payments	(12,020)	(11)	(12,031)
Balance, March 31, 2020	$ 8,190	$ 5,057	$ 13,247

16. *INCOME TAXES*

Although a portion of Lazard Group's income is subject to U.S. federal income taxes, Lazard Group primarily operates in the U.S. as a limited liability company that is treated as a partnership for U.S. federal income tax purposes. As a result, Lazard Group's income from its U.S. operations is generally not subject to U.S. federal income taxes because such income is attributable to its partners. Lazard Group, through its subsidiaries, is subject to state and local taxes on its income apportioned to various state and local jurisdictions. Outside the U.S., Lazard Group operates principally through subsidiary corporations that are subject to local income taxes in foreign jurisdictions. Lazard Group is also subject to Unincorporated Business Tax ("UBT") attributable to its operations apportioned to New York City.

The Company recorded income tax provisions of $15,995 and $15,988 for the three month periods ended March 31, 2020 and 2019, respectively, representing effective tax rates of 18.7% and 14.7%, respectively. The difference between the U.S. federal statutory rate of 21.0% and the effective tax rates reflected above principally relates to (i) Lazard Group primarily operating as a limited liability company in the U.S., (ii) taxes payable to foreign jurisdictions, (iii) the tax impact of differences in the value of share based incentive compensation and other discrete items, (iv) change in the valuation allowance affecting the provision for income taxes, (v) U.S. state and local taxes, which are incremental to the U.S. federal statutory tax rate, and (vi) impact of U.S. tax reform, including base erosion and anti-abuse tax.

17. RELATED PARTIES

Receivables from and Payables to Lazard Ltd Subsidiaries

Lazard Group's receivables from subsidiaries of Lazard Ltd at March 31, 2020 included interest-bearing loans of $26,300. Interest income relating to interest-bearing loans with subsidiaries of Lazard Ltd amounted to $15 for both the three month periods ended March 31, 2020 and 2019.

Lazard Group's payables to subsidiaries of Lazard Ltd at December 31, 2019 included interest-bearing loans, including interest thereon, of $57,160. Interest expense relating to interest-bearing loans with subsidiaries of Lazard Ltd amounted to $54 and $887 for the three month periods ended March 31, 2020 and 2019, respectively.

In the first quarter of 2020, a subsidiary of Lazard Ltd contributed an interest-bearing intercompany loan, including interest thereon, of $55,941 due from a Lazard Group subsidiary to Lazard Group. Such amount is reflected in members' equity as of March 31, 2020 and is a non-cash transaction.

Sponsored Funds

The Company serves as an investment advisor for certain affiliated investment companies and fund entities and receives management fees and, for the alternative investment funds, performance-based incentive fees for providing such services. Investment advisory fees relating to such services were $135,955 and $144,170 for the three month periods ended March 31, 2020 and 2019, respectively, and are included in "asset management fees" on the condensed consolidated statements of operations. Of such amounts, $54,526 and $54,561 remained as receivables at March 31, 2020 and December 31, 2019, respectively, and are included in "fees receivable" on the condensed consolidated statements of financial condition.

See Note 12 for information regarding related party transactions pertaining to shares repurchased from certain of our executive officers.

18. REGULATORY AUTHORITIES

LFNY is a U.S. registered broker-dealer and is subject to the net capital requirements of Rule 15c3-1 under the Exchange Act. Under the basic method permitted by this rule, the minimum required net capital, as defined, is a specified fixed percentage (6 2/3%) of total aggregate indebtedness recorded in LFNY's Financial and Operational Combined Uniform Single ("FOCUS") report filed with the Financial Industry Regulatory Authority ("FINRA"), or $5, whichever is greater. In addition, the ratio of aggregate indebtedness (as defined) to net capital may not exceed 15:1. At March 31, 2020, LFNY's regulatory net capital was $106,935, which exceeded the minimum requirement by $104,135. LFNY's aggregate indebtedness to net capital ratio was 0.39:1 as of March 31, 2020.

Certain U.K. subsidiaries of the Company, including LCL, Lazard Fund Managers Limited and Lazard Asset Management Limited (collectively, the "U.K. Subsidiaries") are regulated by the Financial Conduct Authority. At March 31, 2020, the aggregate regulatory net capital of the U.K. Subsidiaries was $180,813, which exceeded the minimum requirement by $161,667.

CFLF, under which asset management and commercial banking activities are carried out in France, is subject to regulation by the Autorité de Contrôle Prudentiel et de Résolution ("ACPR") for its banking activities conducted through its subsidiary, LFB. LFB, as a registered bank, is engaged primarily in commercial and private banking services for clients and funds managed by LFG (asset management) and other clients, and asset-liability management. The investment services activities of the Paris group, exercised through LFB and other subsidiaries of CFLF, primarily LFG, also are subject to regulation and supervision by the Autorité des Marchés Financiers. At March 31, 2020, the consolidated regulatory net capital of CFLF was $124,770, which exceeded the minimum requirement set for regulatory capital levels by $67,433. In addition, pursuant to the consolidated supervision rules in the European Union, LFB, in particular, as a French credit institution, is required to be supervised by a regulatory body, either in the U.S. or in the European Union. During the third quarter of 2013, the Company and the ACPR agreed on terms for the consolidated supervision of LFB and certain other non-Financial Advisory European subsidiaries of the Company (referred to herein, on a combined basis, as the "combined European regulated group") under such rules. Under this supervision, the combined European regulated group is required to comply with minimum requirements for regulatory net capital to be reported on a quarterly basis and satisfy periodic financial and other reporting obligations. At December 31, 2019, the regulatory net capital of the combined European regulated group was $182,054, which exceeded the minimum requirement set for regulatory capital levels by $75,566. Additionally, the combined European regulated group, together with our European Financial Advisory entities, is required to perform an annual risk assessment and provide certain other information on a periodic basis, including financial reports and information relating to financial performance, balance sheet data and capital structure.

Certain other U.S. and non-U.S. subsidiaries are subject to various capital adequacy requirements promulgated by various regulatory and exchange authorities in the countries in which they operate. At March 31, 2020, for those subsidiaries with regulatory capital requirements, their aggregate net capital was $145,129, which exceeded the minimum required capital by $119,036.

At March 31, 2020, each of these subsidiaries individually was in compliance with its regulatory capital requirements.

Any new or expanded rules and regulations that may be adopted in countries in which we operate (including regulations that have not yet been proposed) could affect us in other ways.

19. SEGMENT INFORMATION

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

The Company's segment information for the three month periods ended March 31, 2020 and 2019 is prepared using the following methodology:

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

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

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

(dollars in thousands, unless otherwise noted)

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

		Three Months Ended March 31,	
		2020	2019
Financial Advisory	Net Revenue	$ 298,970	$ 321,926
	Operating Expenses	244,247	274,035
	Operating Income	$ 54,723	$ 47,891
Asset Management	Net Revenue	$ 282,521	$ 301,833
	Operating Expenses	204,769	207,348
	Operating Income	$ 77,752	$ 94,485
Corporate	Net Revenue	$ (43,911)	$ 2,243
	Operating Expenses	2,834	35,756
	Operating Loss	$ (46,745)	$ (33,513)
Total	Net Revenue	$ 537,580	$ 626,002
	Operating Expenses	451,850	517,139
	Operating Income	$ 85,730	$ 108,863

	As Of	
	March 31, 2020	December 31, 2019
Total Assets		
Financial Advisory	$ 1,090,942	$ 1,113,266
Asset Management	736,487	821,641
Corporate	2,777,365	3,116,721
Total	$ 4,604,794	$ 5,051,628

20. CONSOLIDATED VIEs

The Company's consolidated VIEs as of March 31, 2020 and December 31, 2019 include certain funds that were established for the benefit of employees participating in the Company's existing LFI deferred compensation arrangement. Lazard invests in these funds and is the investment manager and is therefore deemed to have both the power to direct the most significant activities of the funds and the right to receive benefits (or the obligation to absorb losses) that could potentially be significant to these funds. The Company's consolidated VIE assets and liabilities as reflected in the condensed consolidated statements of financial condition consist of the following at March 31, 2020 and December 31, 2019:

	March 31, 2020	December 31, 2019
ASSETS		
Cash and cash equivalents	$ 4,637	$ 3,826
Customers and other receivables	502	102
Investments (a)	145,055	97,474
Other assets	462	245
Total Assets	$ 150,656	$ 101,647
LIABILITIES		
Deposits and other customer payables	$ 418	$ 62
Other liabilities	536	513
Total Liabilities	$ 954	$ 575

(a) Includes $127,503 and $83,036 of LFI held by Lazard Group which is eliminated in the condensed consolidated statements of financial condition as of March 31, 2020 and December 31, 2019, respectively.

21. COVID-19

On March 11, 2020, the World Health Organization declared the coronavirus ("COVID-19") a pandemic. In response, on March 27, 2020 the President of the United States signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act into law and the United States Congress continues to discuss additional stimulus measures. Several governments in jurisdictions that encompass the Company's largest offices and most significant operations have implemented extended strict social distancing measures. In response, the Company has implemented remote work arrangements for virtually all of its employees and restricted business travel. These arrangements have not materially affected our ability to maintain and conduct our business operations, including the operation of financial reporting systems, internal controls over financial reporting, and disclosure controls and procedures. While the COVID-19 pandemic has adversely affected the global economy, the nature and extent of COVID-19's effect on the Company's operational and financial performance will depend on future developments, including the course of the pandemic, the success of governments in relaxing social distancing measures and restarting economic activity, the efficacy of monetary and fiscal measures taken or that may be taken in the future, and the potential for structural damage to the economy due to the sharp drop in aggregate demand and, particularly in the U.S., a high level of unemployment, all of which are uncertain and difficult to predict considering the rapidly evolving landscape.

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

The following discussion should be read in conjunction with Lazard Group’s condensed consolidated financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q (the “Form 10-Q”), as well as Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) included in our Annual Report on Form 10-K for the year ended December 31, 2019 (the “Form 10-K”). All references to “2020,” “2019,” “first quarter” or “the period” refer to, as the context requires, the three month periods ended March 31, 2020 and March 31, 2019.

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

Management has included in Parts I and II of this Form 10-Q, including in its MD&A, statements that are forward-looking statements. In some cases, you can identify these statements by forward-looking words such as “may,” “might,” “will,” “should,” “could,” “would,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” “target,” “goal” 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, business plans and initiatives and anticipated trends in our business. These statements including with respect to the current COVID-19 pandemic, are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements. These factors include, but are not limited to, those discussed in our Form 10-K under the caption “Risk Factors,” including the following:

- a decline in general economic conditions or the global or regional financial markets;
- a decline in our revenues, for example due to a decline in overall mergers and acquisitions (“M&A”) activity, our share of the M&A market or our assets under management (“AUM”);
- losses caused by financial or other problems experienced by third parties;
- losses due to unidentified or unanticipated risks;
- a lack of liquidity, *i.e*., ready access to funds, for use in our businesses; and
- competitive pressure on our businesses and on our ability to retain and attract employees at current compensation levels.

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

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

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

- financial goals, including ratios of compensation and benefits expense to operating revenue;
- ability to deploy surplus cash through distributions to members, purchases of common stock and debt repurchases;
- possible or assumed future results of operations and operating cash flows;
- strategies and investment policies;
- financing plans and the availability of short-term borrowing;
- competitive position;
- future acquisitions, including the consideration to be paid and the timing of consummation;
- potential growth opportunities available to our businesses;

- potential impact of investments in our technology infrastructure and data science capabilities;
- recruitment and retention of our managing directors and employees;
- potential levels of compensation expense, including awarded compensation and benefits expense and adjusted compensation and benefits expense, and non-compensation expense;
- potential operating performance, achievements, productivity improvements, efficiency and cost reduction efforts;
- likelihood of success and impact of litigation;
- expected tax rates, including effective tax rates;
- changes in interest and tax rates;
- availability of certain tax benefits, including certain potential deductions;
- potential impact of certain events or circumstances on our financial statements and operations, including the current COVID-19 pandemic;
- changes in foreign currency exchange rates;
- expectations with respect to the economy, the securities markets, the market for mergers, acquisitions, restructuring and other financial advisory activity, the market for asset management activity and other macroeconomic, regional and industry trends;
- effects of competition on our business; and
- impact of new or future legislation and regulation, including tax laws and regulations, on our business.

The Company is committed to providing timely and accurate information to the investing public, consistent with our legal and regulatory obligations. To that end, the Company uses its website, its twitter account (twitter.com/Lazard) and other social media sites to convey information about our businesses, including the anticipated release of quarterly financial results, quarterly financial, statistical and business-related information, and the posting of updates of AUM in our Asset Management business. Investors can link to Lazard Ltd, Lazard Group and their operating company websites through *http://www.lazard.com*. Our websites and social media sites and the information contained therein or connected thereto shall not be deemed to be incorporated into this Form 10-Q.

Business Summary

Lazard is one of the world's preeminent financial advisory and asset management firms. We have long specialized in crafting solutions to the complex financial and strategic challenges of a diverse set of clients around the world, including corporations, governments, institutions, partnerships and individuals. Founded in 1848 in New Orleans, we currently operate from more than 40 cities and 25 countries across key business and financial centers in North America, Europe, Asia, Australia, and Central and South America.

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

We operate in cyclical businesses across multiple geographies, industries and asset classes. In recent years, we have expanded our geographic reach, bolstered our industry expertise and continued to build in growth areas. Companies, government bodies and investors seek independent advice with a geographic perspective, deep understanding of capital structure, informed research and knowledge of global, regional and local economic conditions. We believe that our business model as an independent advisor will continue to create opportunities for us to attract new clients and key personnel.

Our principal sources of revenue are derived from activities in the following business segments:

- Financial Advisory, which offers corporate, partnership, institutional, government, sovereign and individual clients across the globe a wide array of financial advisory services regarding M&A, capital advisory, restructurings, shareholder advisory, sovereign advisory, capital raising and other strategic advisory matters, and
- Asset Management, which offers a broad range of global investment solutions and investment management services in equity and fixed income strategies, asset allocation strategies, alternative investments and private equity funds to corporations, public funds, sovereign entities, endowments and foundations, labor funds, financial intermediaries and private clients.

In addition, we record selected other activities in our Corporate segment, including management of cash, investments, deferred tax assets, outstanding indebtedness, certain contingent obligations, and assets and liabilities associated with Lazard Group's Paris-based subsidiary, Lazard Frères Banque SA ("LFB").

Our consolidated net revenue was derived from the following segments:

	Three Months Ended March 31,	
	2020	2019
Financial Advisory	56%	52%
Asset Management	53	48
Corporate	(9)	-
Total	100%	100%

We also invest our own capital from time to time, generally alongside capital of qualified institutional and individual investors in alternative investments or private equity investments, and, since 2005, we have engaged in a number of alternative investments and private equity activities, including, historically, investments through (i) Edgewater, our Chicago-based private equity firm and (ii) a fund targeting significant noncontrolling-stake investments in established private companies. We also make investments to seed our Asset Management strategies.

Business Environment and Outlook

Economic and global financial market conditions can materially affect our financial performance. As described above, our principal sources of revenue are derived from activities in our Financial Advisory and Asset Management business segments. As our Financial Advisory revenues are primarily dependent on the successful completion of merger, acquisition, restructuring, capital raising or similar transactions, and our Asset Management revenues are primarily driven by the levels of AUM, weak economic and global financial market conditions can result in a challenging business environment for M&A and capital-raising activity as well as our Asset Management business, but may provide opportunities for our restructuring business.

In the first quarter of 2020, regional outbreaks of a novel coronavirus ("COVID-19") became a global pandemic of unprecedented proportion and impact. The actions taken by governments, including social distancing mandates, severely impacted the global economy. As a result of this global crisis, we are experiencing an unprecedented period of volatility. The impact of this global crisis on the economy and our businesses remains uncertain but we expect a challenging environment in the near-term as a result of elevated uncertainty, capital markets volatility, lower asset valuations and a downturn in global M&A activity.

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

- ***Financial Advisory***—During this period of financial stress and uncertainty, we are focused on serving clients with our depth of expertise in capital structure, capital raising, debt negotiations and restructuring and exchange offers. We expect that the volume and timing of new M&A transactions will be severely impacted in the near term. We are seeing increased activity in our restructuring, capital advisory and sovereign advisory practices, however, the increased activity in these areas may not fully offset the anticipated decline in M&A activity in the near term, though we expect to see an increase in distressed M&A activity as the year progresses. We believe our Financial Advisory business is in a strong competitive position as demand continues for expert, independent strategic advice that can be levered across geographies and our range of capabilities. The global scale and breadth of our Financial Advisory business allows us to advise on a wide range of strategic and restructuring transactions across a variety of industries. In addition, we continue to invest in our Financial Advisory business by selectively hiring talented senior professionals and continuing to focus on our M&A, restructuring and other advisory services.
- ***Asset Management***—In the short to intermediate term, we normally would expect most investor demand to come through financial institutions, and from defined benefit and defined contribution plans in developed economies because of their sheer

scope and size. However, the current volatility in the capital markets and the uncertainties arising from the COVID-19 pandemic may negatively impact our business in a manner that we cannot predict. Over the longer term, and depending upon local and global market conditions, we would expect an increasing share of our AUM to come from the developing economies around the globe, as their retirement systems evolve and individual wealth is increasingly deployed in the financial markets. Given our diversified investment platform and our ability to provide investment solutions for a global mix of clients, we believe we are positioned to benefit from opportunities across the asset management industry despite the current challenges that markets have created for that industry. We are continually developing new investment strategies that extend our existing platforms and assessing potential product acquisitions or other inorganic growth opportunities. Among other efforts, we have been particularly focused on continuing to incorporate environmental, social and corporate governance (“ESG”) considerations, as appropriate, into our investment research and launching strategies that use ESG factors to drive long-term investment returns. In addition to these new ESG and sustainable strategies, recent examples of growth initiatives include the following: various Quantitative Equity strategies, explainable AI capabilities, and several U.S. Systematic Equity strategies.

We operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge continuously, and it is not possible for our management to predict all risks and uncertainties, nor can we assess the impact of all potentially applicable factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. See Item 1A, “Risk Factors” in this Form 10-Q and our Form 10-K. Furthermore, net income and revenue in any period may not be indicative of full-year results or the results of any other period and may vary significantly from year to year and quarter to quarter.

Overall, we continue to focus on the development of our business, including the generation of stable revenue growth, earnings growth and member returns, the evaluation of potential growth opportunities, the investment in new technology to support the development of existing and new business opportunities, the prudent management of our costs and expenses, the efficient use of our assets and the return of equity to our members.

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

Financial Advisory

As reflected in the following table, which sets forth global M&A industry statistics, the value and number of all completed transactions, including the subset of completed transactions involving values greater than $500 million, decreased in the first quarter of 2020 as compared to 2019. With respect to announced M&A transactions, the value and number of all transactions, including the subset of announced transactions involving values greater than $500 million, decreased in the first quarter of 2020 as compared to 2019.

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	% Incr / (Decr)
	($ in billions)		
Completed M&A Transactions:			
All deals:			
Value	$ 653	$ 939	(30)%
Number	7,679	8,707	(12)%
Deals Greater than $500 million:			
Value	$ 496	$ 734	(32)%
Number	239	292	(18)%
Announced M&A Transactions:			
All deals:			
Value	$ 689	$ 1,072	(36)%
Number	8,021	8,722	(8)%
Deals Greater than $500 million:			
Value	$ 516	$ 875	(41)%
Number	222	250	(11)%

Source: Dealogic as of April 9, 2020.

Global restructuring activity during the first quarter of 2020, as measured by the number of corporate defaults, increased as compared to the first quarter of 2019. The number of defaulting issuers was 28 in the first quarter of 2020 according to Moody's Investors Service, Inc, as compared to 20 in the first quarter of 2019.

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

Asset Management

Equity market indices for major markets at March 31, 2020 generally decreased as compared to such indices at December 31, 2019 and March 31, 2019. The percentage change in major equity market indices at March 31, 2020, as compared to such indices at December 31, 2019 and at March 31, 2019, is shown in the table below.

	Percentage Changes March 31, 2020 vs.	
	December 31, 2019	March 31, 2019
MSCI World Index	(21)%	(10)%
Euro Stoxx	(25)%	(14)%
MSCI Emerging Market	(24)%	(17)%
S&P 500	(20)%	(7)%

The fees that we receive for providing investment management and advisory services are primarily driven by the level of AUM and the nature of the AUM product mix. Accordingly, market movements, foreign currency exchange rate volatility and changes in our AUM product mix will impact the level of revenues we receive from our Asset Management business when comparing periodic results. A substantial portion of our AUM is invested in equities. Movements in AUM during the period generally reflect the changes in equity market indices.

Financial Statement Overview

Net Revenue

The majority of Lazard's Financial Advisory net revenue historically has been earned from the successful completion of M&A transactions, capital advisory services, capital raising, restructuring, shareholder advisory, sovereign advisory and other strategic advisory matters. The main drivers of Financial Advisory net revenue are overall M&A activity, the level of corporate debt defaults and the environment for capital raising activities, particularly in the industries and geographic markets in which Lazard focuses. In some client engagements, often those involving financially distressed companies, revenue is earned in the form of retainers and similar fees that are contractually agreed upon with each client for each assignment and are not necessarily linked to the completion of a transaction. In addition, Lazard also earns fees from providing strategic advice to clients, with such fees not being dependent on a specific transaction, and may also earn fees in connection with public and private securities offerings. Significant fluctuations in Financial Advisory net revenue can occur over the course of any given year, because a significant portion of such net revenue is earned upon the successful completion of a transaction, restructuring or capital raising activity, the timing of which is uncertain and is not subject to Lazard's control.

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

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

For hedge funds, incentive fees are calculated based on a specified percentage of a fund's net appreciation, in some cases in excess of established benchmarks or thresholds. The Company records incentive fees on traditional products and hedge funds at the end of the relevant performance measurement period, when potential uncertainties regarding the ultimate realizable amounts have been determined. The incentive fee measurement period is generally an annual period (unless an account terminates or redemption occurs during the year). The incentive fees received at the end of the measurement period are not subject to reversal or payback. Incentive fees on hedge funds are often subject to loss carryforward provisions in which losses incurred by the hedge funds in any year are applied against certain gains realized by the hedge funds in future periods before any incentive fees can be earned.

For private equity funds, incentive fees may be earned in the form of a "carried interest" if profits arising from realized investments exceed a specified threshold. Typically, such carried interest is ultimately calculated on a whole-fund basis and, therefore, clawback of carried interest during the life of the fund can occur. As a result, incentive fees earned on our private equity funds are not recognized until potential uncertainties regarding the ultimate realizable amounts have been determined, including any potential for clawback.

Corporate segment net revenue consists primarily of investment gains and losses on the Company's "seed investments" related to our Asset Management business and principal investments in private equity funds, net of hedging activities, as well as gains and losses on investments held in connection with Lazard Fund Interests ("LFI") and interest income and interest expense. Corporate net revenue also can fluctuate due to changes in the fair value of debt and equity securities, as well as due to changes in interest and currency exchange rates and in the levels of cash, investments and indebtedness.

Corporate segment total assets represented 60% of Lazard's consolidated total assets as of March 31, 2020, which are attributable to cash and cash equivalents, investments in debt and equity securities, interests in alternative investment, debt, equity and private equity funds, deferred tax assets and certain assets associated with LFB.

Operating Expenses

The majority of Lazard's operating expenses relate to compensation and benefits for managing directors and employees. Our compensation and benefits expense includes (i) salaries and benefits, (ii) amortization of the relevant portion of previously granted deferred incentive compensation awards, including (a) share-based incentive compensation under the Lazard Ltd 2018 Incentive Compensation Plan (the "2018 Plan") and the Lazard Ltd 2008 Incentive Compensation Plan (the "2008 Plan"), and (b) LFI and other similar deferred compensation arrangements (see Note 13 of Notes to Condensed Consolidated Financial Statements), (iii) a provision for discretionary or guaranteed cash bonuses and profit pools and (iv) when applicable, severance payments. Compensation expense in any given period is dependent on many factors, including general economic and market conditions, our actual and forecasted operating and financial performance, staffing levels, estimated forfeiture rates, competitive pay conditions and the nature of revenues earned, as well as the mix between current and deferred compensation.

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

We believe that “awarded compensation and benefits expense” and the ratio of “awarded compensation and benefits expense” to “operating revenue,” both non-GAAP measures, are the most appropriate measures to assess the annual cost of compensation and provide the most meaningful basis for comparison of compensation and benefits expense between present, historical and future years. “Awarded compensation and benefits expense” for a given year is calculated using “adjusted compensation and benefits expense,” also a non-GAAP measure, as modified by the following items:

- we deduct amortization expense recorded for accounting principles generally accepted in the United States of America (“U.S. GAAP”) purposes in the fiscal year associated with deferred incentive compensation awards;
- we add incentive compensation with respect to the fiscal year, which is comprised of:
  - (i) the deferred incentive compensation awards granted in the year-end compensation process with respect to the fiscal year (*e.g.*, deferred incentive compensation awards granted in 2020 related to the 2019 year-end compensation process), including performance-based restricted stock unit (“PRSU”) and performance-based restricted participation unit (“PRPU”) awards (based on the target payout level);
  - (ii) the portion of investments in people (*e.g.*, “sign-on” bonuses or retention awards) and other special deferred incentive compensation awards that is applicable to the fiscal year the award becomes effective; and
  - (iii) amounts in excess of the target payout level for PRSU and PRPU awards at the end of their respective performance periods; and
- we reduce the amounts in (i), (ii) and (iii) above by an estimate of future forfeitures with respect to such awards.

Compensation and benefits expense is the largest component of our operating expenses. We seek to maintain discipline with respect to compensation, including the rate at which we award deferred compensation. Our goal is to maintain a ratio of awarded compensation and benefits expense to operating revenue and a ratio of adjusted compensation and benefits expense to operating revenue over the cycle in the mid- to high-50s percentage range. While we have implemented policies and initiatives that we believe will assist us in maintaining ratios within this range, there can be no guarantee that we will continue to maintain such ratios, or that our policies or initiatives will not change, in the future. We may benefit from pressure on compensation costs within the financial services industry in future periods; however, increased competition for senior professionals, changes in the macroeconomic environment or the financial markets generally, lower operating revenue resulting from, for example, a decrease in M&A activity, our share of the M&A market or our AUM levels, changes in the mix of revenues from our businesses, investments in our businesses or various other factors could prevent us from achieving this goal.

Our operating expenses also include “non-compensation expense”, which includes costs for occupancy and equipment, marketing and business development, technology and information services, professional services, fund administration and outsourced services and other expenses. Our occupancy costs represent a significant portion of our aggregate operating expenses and are subject to change from time to time, particularly as leases for real property expire and are renewed or replaced with new, long-term leases for the same or other real property.

We believe that “adjusted non-compensation expense”, a non-GAAP measure, provides a more meaningful basis for our investors to assess our operating results. For calculations with respect to “adjusted non-compensation expense”, see the table under “Consolidated Results of Operations” below.

Our operating expenses also include “amortization and other acquisition-related costs (benefits)” which includes in 2019 the change in fair value of the contingent consideration associated with business acquisitions.

Provision for Income Taxes

Lazard Group primarily operates in the U.S. as a limited liability company that is treated as a partnership for U.S. federal income tax purposes. As a result, Lazard Group’s income pertaining to the limited liability company is not subject to U.S. federal income tax because taxes associated with such income represent obligations of its partners. Lazard Group, through its subsidiaries, is subject to state and local taxes on its income apportioned to various state and local jurisdictions. Outside the U.S., Lazard Group operates principally through subsidiary corporations that are subject to local income taxes in foreign jurisdictions. Lazard Group is also subject to Unincorporated Business Tax (“UBT”) attributable to its operations apportioned to New York City.

See “Critical Accounting Policies and Estimates—Income Taxes” below and Note 16 of Notes to Condensed Consolidated Financial Statements for additional information regarding income taxes and our deferred tax assets.

Noncontrolling Interests

Noncontrolling interests primarily consist of amounts related to Edgewater's management vehicles that the Company is deemed to control but not own and consolidated VIE interests held by employees. See Notes 12 and 20 of Notes to Condensed Consolidated Financial Statements for information regarding the Company's noncontrolling interests and consolidated VIEs.

Consolidated Results of Operations

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

A portion of our net revenue is derived from transactions that are denominated in currencies other than the U.S. Dollar. Net revenue for the three month period ended March 31, 2020 was negatively impacted by exchange rate movements in comparison to the relevant prior year period. The majority of the impact to net revenue was offset by the impact of the exchange rate movements on our operating expenses during the periods denominated in currencies other than the U.S. Dollar.

The condensed consolidated financial statements are prepared in conformity with U.S. GAAP. Selected financial data derived from the Company's reported condensed consolidated results of operations is set forth below, followed by a more detailed discussion of both the consolidated and business segment results.

	Three Months Ended March 31,	
	2020	2019
	($ in thousands)	
Net Revenue	$ 537,580	$ 626,002
Operating Expenses:		
Compensation and benefits	318,283	370,248
Non-compensation	133,139	147,575
Amortization and other acquisition-related costs (benefits)	428	(684)
Total operating expenses	451,850	517,139
Operating Income	85,730	108,863
Provision for income taxes	15,995	15,988
Net Income	69,735	92,875
Less - Net Loss Attributable to Noncontrolling Interests	(5,691)	(566)
Net Income Attributable to Lazard Group	$ 75,426	$ 93,441
Operating Income, as a % of net revenue	15.9%	17.4%

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

	Three Months Ended March 31,	
	2020	2019
	($ in thousands)	
Operating Revenue:		
Net revenue	$ 537,580	$ 626,002
Adjustments:		
Interest expense (a)	18,703	17,674
Distribution fees, reimbursable deal costs and bad debt expense (b)	(16,388)	(24,296)
(Revenue) loss related to noncontrolling interests (c)	2,772	(2,270)
(Gains) losses on investments pertaining to LFI (d)	19,637	(13,870)
Operating revenue	$ 562,304	$ 603,240

(a) Interest expense (excluding interest expense incurred by LFB) is added back in determining operating revenue because such expense relates to corporate financing activities and is not considered to be a cost directly related to the revenue of our business.
(b) Represents certain distribution fees, reimbursable deal costs paid to third parties and bad debt expense relating to fees that are deemed uncollectible for which an equal amount is excluded for purposes of determining adjusted non-compensation expense.
(c) Revenue or loss related to the consolidation of noncontrolling interests is excluded from operating revenue because the Company has no economic interest in such amount.
(d) Represents changes in the fair value of investments held in connection with LFI and other similar deferred compensation arrangements for which a corresponding equal amount is excluded from compensation and benefits expense.

	Three Months Ended March 31,	
	2020	2019
	($ in thousands)	
Adjusted Compensation and Benefits Expense:		
Total compensation and benefits expense	$ 318,283	$ 370,248
Adjustments:		
Noncontrolling interests (a)	(1,706)	(1,889)
(Charges) credits pertaining to LFI (b)	19,637	(13,870)
Adjusted compensation and benefits expense	$ 336,214	$ 354,489
Adjusted compensation and benefits expense, as a % of operating revenue	59.8%	58.8%

(a) Expenses related to the consolidation of noncontrolling interests are excluded because Lazard has no economic interest in such amounts.
(b) Represents changes in fair value of the compensation liability recorded in connection with LFI and other similar deferred incentive compensation awards for which a corresponding equal amount is excluded from operating revenue.

	Three Months Ended March 31,	
	2020	2019
	($ in thousands)	
Adjusted Non-Compensation Expense:		
Total non-compensation expense	$ 133,139	$ 147,575
Adjustments:		
Expenses associated with ERP system implementation (a)	-	(3,205)
Expenses relating to office space reorganization (b)	(3,664)	-
Distribution fees, reimbursable deal costs and bad debt expense (c)	(16,388)	(24,296)
Charges pertaining to senior debt refinancing (d)	-	(4,243)
Noncontrolling interests (e)	(1,036)	(770)
Adjusted non-compensation expense	$ 112,051	$ 115,061
Adjusted non-compensation expense, as a % of operating revenue	19.9%	19.1%

(a) Represents expenses associated with the Enterprise Resource Planning (“ERP”) system implementation.
(b) Represents incremental rent expense related to office space reorganization.
(c) Represents certain distribution fees, reimbursable deal costs paid to third parties and bad debt expense relating to fees that are deemed uncollectible for which an equal amount is included for purposes of determining operating revenue.
(d) In 2019, represents charges pertaining to the partial redemption of the Company’s 4.25% senior notes due 2020 (the “2020 Notes”) due to the non-operating nature of such transaction. See “—Liquidity and Capital Resources—Financing Activities” below.
(e) Expenses related to the consolidation of noncontrolling interests are excluded because the Company has no economic interest in such amounts.

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
	($ in thousands)	
Earnings From Operations:		
Operating revenue	$ 562,304	$ 603,240
Deduct:		
Adjusted compensation and benefits expense	(336,214)	(354,489)
Adjusted non-compensation expense	(112,051)	(115,061)
Earnings from operations	$ 114,039	$ 133,690
Earnings from operations, as a % of operating revenue	20.3%	22.2%

Headcount information is set forth below:

	As of March 31, 2020	December 31, 2019	March 31, 2019
Headcount:			
Managing Directors:			
Financial Advisory	167	160	178
Asset Management	107	104	110
Corporate	21	19	17
Total Managing Directors	295	283	305
Other Business Segment Professionals and Support Staff:			
Financial Advisory	1,347	1,342	1,326
Asset Management	965	986	1,004
Corporate	418	389	396
Total	3,025	3,000	3,031

Operating Results

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

Three Months Ended March 31, 2020 versus March 31, 2019

The Company reported net income attributable to Lazard Group of $75 million, as compared to net income attributable to Lazard Group of $93 million in the 2019 period.

Net revenue decreased $88 million, or 14%, with operating revenue decreasing $41 million, or 7%, as compared to the 2019 period. Fee revenue from investment banking and other advisory activities decreased $22 million, or 7%, as compared to the 2019 period. Asset management fees, including incentive fees, decreased $23 million, or 8%, as compared to the 2019 period. In the aggregate, interest income, other revenue and interest expense decreased $43 million, as compared to the 2019 period.

Compensation and benefits expense decreased $52 million, or 14%, as compared to the 2019 period.

Adjusted compensation and benefits expense (which excludes certain items and which we believe allows for improved comparability between periods, as described above) decreased $18 million, or 5%, as compared to the 2019 period. The ratio of adjusted compensation and benefits expense to operating revenue was 59.8% for the 2020 period, as compared to 58.8% for the 2019 period.

Non-compensation expense decreased $14 million, or 10%, as compared to the 2019 period, primarily due to decreased marketing and business development expenses. Adjusted non-compensation expense decreased $3 million, or 3%, as compared to the 2019 period. The ratio of adjusted non-compensation expense to operating revenue was 19.9% for the 2020 period, as compared to 19.1% for the 2019 period.

Operating income decreased $23 million, or 21%, as compared to the 2019 period.

Earnings from operations decreased $20 million, or 15%, as compared to the 2019 period, and, as a percentage of operating revenue, was 20.3%, as compared to 22.2% in the 2019 period.

The provision for income taxes reflects an effective tax rate of 18.7%, as compared to 14.7% for the 2019 period. The increase in the effective tax rate principally relates to a decrease in discrete benefits from share-based incentive compensation.

Net loss attributable to noncontrolling interests increased $5 million as compared to the 2019 period.

Business Segments

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

Financial Advisory

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

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
	($ in thousands)	
Net Revenue	$ 298,970	$ 321,926
Operating Expenses	244,247	274,035
Operating Income	$ 54,723	$ 47,891
Operating Income, as a % of net revenue	18.3%	14.9%

Certain Lazard fee and transaction statistics for the Financial Advisory segment are set forth below:

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Lazard Statistics:		
Number of clients with fees greater than $1 million:		
Financial Advisory	56	63
Percentage of total Financial Advisory net revenue from top 10 clients	40%	43%
Number of M&A transactions completed with values greater than $500 million (a)	19	22

(a) Source: Dealogic as of April 9, 2020.

The geographical distribution of Financial Advisory net revenue is set forth below in percentage terms and is based on the Lazard offices that generate Financial Advisory net revenue, which are located in the Americas (primarily in the U.S. and Latin America), EMEA (primarily in the U.K., France, Germany, Italy and Spain) and the Asia Pacific region (primarily in Australia) and therefore may not be reflective of the geography in which the clients are located.

	Three Months Ended March 31,	
	2020	2019
Americas	59%	64%
EMEA	39	34
Asia Pacific	2	2
Total	100%	100%

The Company's managing directors and many of its professionals have significant experience, and many of them are able to use this experience to advise on M&A, restructuring and other strategic advisory matters, depending on clients' needs. This flexibility allows Lazard to better match its professionals with the counter-cyclical business cycles of mergers and acquisitions and restructurings. While Lazard measures revenue by practice area, Lazard does not separately measure the costs or profitability of M&A services as compared to restructuring or other services. Accordingly, Lazard measures performance in its Financial Advisory segment based on overall segment operating revenue and operating income margins.

Financial Advisory Results of Operations

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

Three Months Ended March 31, 2020 versus March 31, 2019

Financial Advisory net revenue decreased $23 million, or 7%, as compared to the 2019 period. The decrease in Financial Advisory net revenue was primarily a result of a decrease in the number of fees greater than $10 million as compared to the 2019 period.

Operating expenses decreased $30 million, or 11%, as compared to the 2019 period, primarily due to a decrease in compensation and benefits expense and marketing and business development expenses.

Financial Advisory operating income was $55 million, an increase of $7 million, or 14%, as compared to operating income of $48 million in the 2019 period and, as a percentage of net revenue, was 18.3%, as compared to 14.9% in the 2019 period.

Asset Management

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

	As of	
	March 31, 2020	December 31, 2019
	($ in millions)	
AUM by Asset Class:		
Equity:		
Emerging Markets	$ 27,716	$ 40,612
Global	39,094	49,759
Local	37,496	48,985
Multi-Regional	50,335	66,185
Total Equity	154,641	205,541
Fixed Income:		
Emerging Markets	11,424	14,387
Global	9,100	9,233
Local	5,421	5,450
Multi-Regional	8,376	9,193
Total Fixed Income	34,321	38,263
Alternative Investments	1,902	2,149
Private Equity	1,406	1,385
Cash Management	778	901
Total AUM	$ 193,048	$ 248,239

Total AUM at March 31, 2020 was $193 billion, a decrease of $55 billion, or 22%, as compared to total AUM of $248 billion at December 31, 2019 due to market depreciation, net outflows and foreign exchange depreciation. Average AUM for the first quarter of 2020 decreased 3% as compared to the first quarter of 2019 and decreased 7% as compared to the fourth quarter of 2019.

As of both March 31, 2020 and December 31, 2019, approximately 86% of our AUM was managed on behalf of institutional clients, including corporations, labor unions, public pension funds, insurance companies and banks, and through sub-advisory relationships, mutual fund sponsors, broker-dealers and registered advisors. As of both March 31, 2020 and December 31, 2019, approximately 14% of our AUM was managed on behalf of individual client relationships, which are principally with family offices and individuals.

As of March 31, 2020, AUM with foreign currency exposure represented approximately 70% of our total AUM, as compared to 67% as of December 31, 2019. AUM with foreign currency exposure generally declines in value with the strengthening of the U.S. Dollar and increases in value as the U.S. Dollar weakens, with all other factors held constant.

The following is a summary of changes in AUM by asset class for the three month periods ended March 31, 2020 and 2019:

	Three Months Ended March 31, 2020						
	AUM Beginning Balance	Inflows (a)	Outflows (a)	Net Flows	Market Value Appreciation/ (Depreciation)	Foreign Exchange Appreciation/ (Depreciation)	AUM Ending Balance
	($ in millions)						
Equity	$ 205,541	$ 6,593	$ (10,398)	$ (3,805)	$ (42,083)	$ (5,012)	$ 154,641
Fixed Income	38,263	2,442	(3,487)	(1,045)	(1,397)	(1,500)	34,321
Other	4,435	250	(313)	(63)	(207)	(79)	4,086
Total	$ 248,239	$ 9,285	$ (14,198)	$ (4,913)	$ (43,687)	$ (6,591)	$ 193,048

(a) Inflows in the Equity asset class were primarily attributable to the Global, Multi-Regional and Emerging Markets platforms, and inflows in the Fixed Income asset class were primarily attributable to the Global and Multi-Regional platforms. Outflows in the Equity asset class were primarily attributable to the Emerging Markets, Global and Multi-Regional equity platforms, and outflows in the Fixed Income asset class were primarily attributable to the Emerging Markets and Global platforms.

	Three Months Ended March 31, 2019						
	AUM Beginning Balance	Inflows	Outflows	Net Flows	Market Value Appreciation/ (Depreciation)	Foreign Exchange Appreciation/ (Depreciation)	AUM Ending Balance
	($ in millions)						
Equity	$ 176,998	$ 6,398	$ (7,229)	$ (831)	$ 19,564	$ (636)	$ 195,095
Fixed Income	32,938	2,618	(1,884)	734	1,568	(232)	35,008
Other	4,798	519	(384)	135	(44)	(13)	4,876
Total	$ 214,734	$ 9,535	$ (9,497)	$ 38	$ 21,088	$ (881)	$ 234,979

As of April 24, 2020, AUM was $198.1 billion, a $5.1 billion increase since March 31, 2020. The increase in AUM was due to market appreciation of $7.6 billion, partially offset by net outflows of $1.8 billion and foreign exchange depreciation of $0.7 billion.

Average AUM for the three month periods ended March 31, 2020 and 2019 for each significant asset class is set forth below. Average AUM generally represents the average of the monthly ending AUM balances for the period.

	Three Months Ended March 31,	
	2020	2019
	($ in millions)	
Average AUM by Asset Class:		
Equity	$ 180,375	$ 189,221
Fixed Income	36,896	34,716
Alternative Investments	2,047	2,693
Private Equity	1,400	1,415
Cash Management	816	792
Total Average AUM	$ 221,534	$ 228,837

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

	Three Months Ended March 31,	
	2020	2019
	($ in thousands)	
Net Revenue	$ 282,521	$ 301,833
Operating Expenses	204,769	207,348
Operating Income	$ 77,752	$ 94,485
Operating Income, as a % of net revenue	27.5%	31.3%

The geographical distribution of Asset Management net revenue is set forth below in percentage terms, and is based on the Lazard offices that manage and distribute the respective AUM amounts. Such geographical distribution may not be reflective of the geography of the investment products or clients.

	Three Months Ended March 31,	
	2020	2019
Americas	51%	55%
EMEA	36	34
Asia Pacific	13	11
Total	100%	100%

Asset Management Results of Operations

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

Three Months Ended March 31, 2020 versus March 31, 2019

Asset Management net revenue decreased $19 million, or 6%, as compared to the 2019 period. Management fees and other revenue was $281 million, a decrease of $20 million, or 7%, as compared to $301 million in the 2019 period, primarily due to a decrease in average AUM and change in asset mix. Incentive fees were $2 million, an increase of $1 million as compared to $1 million in the 2019 period.

Operating expenses decreased $3 million, or 1%, as compared to the 2019 period.

Asset Management operating income was $78 million, a decrease of $16 million, or 18%, as compared to operating income of $94 million in the 2019 period and as a percentage of net revenue, was 27.5%, as compared to 31.3% in the 2019 period.

Corporate

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

	Three Months Ended March 31,	
	2020	2019
	($ in thousands)	
Interest Income	$ 1,839	$ 2,605
Interest Expense	(18,970)	(17,901)
Net Interest (Expense)	(17,131)	(15,296)
Other Revenue (Expense)	(26,780)	17,539
Net Revenue (Expense)	(43,911)	2,243
Operating Expenses (Benefit)	2,834	35,756
Operating Income (Loss)	$ (46,745)	$ (33,513)

Corporate Results of Operations

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

Three Months Ended March 31, 2020 versus March 31, 2019

Net interest expense increased $2 million, or 12%, as compared to the 2019.

Other revenue decreased $44 million as compared to the 2019 period primarily due to losses in the 2020 period as compared to gains in the 2019 period attributable to investments held in connection with LFI.

Operating expenses decreased $33 million as compared to the 2019 period, primarily due to a decrease in compensation and benefits expense, which reflected a decrease in charges pertaining to LFI.

Cash Flows

The Company's cash flows are influenced primarily by the timing of the receipt of Financial Advisory and Asset Management fees, the timing of distributions to members, payments of incentive compensation to managing directors and employees and purchases of common stock. Cash flows were also affected in 2019 by Lazard Group's issuance of $500 million aggregate principal amount of its 4.375% senior notes maturing in 2029 (the "2029 Notes") and the redemption of the 2020 Notes.

M&A and other advisory and Asset Management fees are generally collected within 60 days of billing, while Restructuring fee collections may extend beyond 60 days, particularly those that involve bankruptcies with court-ordered holdbacks. Fees from our

Private Capital Advisory activities are generally collected over a four-year period from billing and typically include an interest component.

The Company makes cash payments for, or in respect of, a significant portion of its incentive compensation during the first three months of each calendar year with respect to the prior year's results.

Summary of Cash Flows:

	Three Months Ended March 31, 2020	2019
	($ in millions)	
Cash Provided By (Used In):		
Operating activities:		
Net income	$ 70	$ 93
Adjustments to reconcile net income to net cash provided by operating activities (a)	128	126
Other operating activities (b)	(374)	(401)
Net cash provided by (used in) operating activities	(176)	(182)
Investing activities	(12)	(6)
Financing activities (c)	(236)	169
Effect of exchange rate changes	(61)	(30)
Net Decrease in Cash and Cash Equivalents and Restricted Cash	(485)	(49)
Cash and Cash Equivalents and Restricted Cash (d):		
Beginning of Period	2,388	2,230
End of Period	$ 1,903	$ 2,181

(a) Consists of the following:

	Three Months Ended March 31, 2020	2019
	($ in millions)	
Depreciation and amortization of property	$ 9	$ 8
Noncash lease expense	15	12
Amortization of deferred expenses and share-based incentive compensation	101	105
Deferred tax provision (benefit)	3	(2)
Amortization and other acquisition-related costs (benefits)	-	(1)
Loss on extinguishment of debt	-	4
Total	$ 128	$ 126

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

(c) Consists primarily of purchases of shares of common stock, tax withholdings related to the settlement of vested RSUs, vested restricted stock awards and vested PRSUs, changes in customer deposits, distributions to members and noncontrolling interest holders and activity relating to borrowings (including in 2019, the issuance of the 2029 Notes and the redemption of the 2020 Notes).

(d) Cash and cash equivalents and restricted cash consists of cash and cash equivalents, deposits with banks and short-term investments and cash deposited with clearing organizations and other segregated cash.

Liquidity and Capital Resources

The Company's liquidity and capital resources are derived from operating activities, financing activities and equity offerings.

Operating Activities

Net revenue, operating income and cash receipts fluctuate significantly between periods and could be affected by various risks and uncertainties, including, but not limited to, the effects of the COVID-19 pandemic. In the case of Financial Advisory, fee receipts are generally dependent upon the successful completion of client transactions, the occurrence and timing of which is irregular and not subject to Lazard's control.

Liquidity is significantly impacted by cash payments for, or in respect of, incentive compensation, a significant portion of which are made during the first three months of the year. As a consequence, cash on hand generally declines in the beginning of the year and gradually builds over the remainder of the year. We also pay certain tax advances during the year on behalf of certain managing directors, which serve to reduce their respective incentive compensation payments. We expect this seasonal pattern of cash flow to continue.

Liquidity is also affected by the level of deposits and other customer payables, principally at LFB. To the extent that such deposits and other customer payables rise or fall, this has a corresponding impact on liquidity held at LFB, with the majority of such amounts generally being recorded in "deposits with banks and short-term investments". In the first quarter of 2020, as reflected on the condensed consolidated statements of financial condition, both "deposits with banks and short-term investments" and "deposits and other customer payables" decreased as compared to December 31, 2019, due to a lower level of LFB customer-related demand deposits, primarily from clients and funds managed by LFG.

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

We regularly monitor our liquidity position, including cash levels, investments in U.S. Treasury securities, credit lines, principal investment commitments, interest and principal payments on debt, capital expenditures, distributions to members, purchases of shares of common stock and matters relating to liquidity and to compliance with regulatory net capital requirements. At March 31, 2020, Lazard had approximately $781 million of cash, with such amount including approximately $468 million held at Lazard's operations outside the U.S. Lazard provides for income taxes on substantially all of its foreign earnings. We expect that no material amount of additional taxes would be recognized upon receipt of dividends or distributions of such earnings from our foreign operations.

As of March 31, 2020, Lazard had approximately $168 million in unused lines of credit available to it, including a $150 million, five-year, senior revolving credit facility with a group of lenders that expires in September 2020 (the "Amended and Restated Credit Agreement") and unused lines of credit available to LFB of approximately $16 million.

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

As long as the lenders' commitments remain in effect, any loan pursuant to the Amended and Restated Credit Agreement remains outstanding and unpaid or any other amount is due to the lending bank group, the Amended and Restated Credit Agreement includes financial covenants that require that Lazard Group not permit (i) its Consolidated Leverage Ratio (as defined in the Amended and Restated Credit Agreement) for the 12-month period ending on the last day of any fiscal quarter to be greater than 3.25 to 1.00 or (ii) its Consolidated Interest Coverage Ratio (as defined in the Amended and Restated Credit Agreement) for the 12-month period ending on the last day of any fiscal quarter to be less than 3.00 to 1.00. For the 12-month period ended March 31, 2020, Lazard Group was in compliance with such ratios, with its Consolidated Leverage Ratio being 1.83 to 1.00 and its Consolidated Interest Coverage Ratio being 12.21 to 1.00. In any event, no amounts were outstanding under the Amended and Restated Credit Agreement as of March 31, 2020.

In addition, the Amended and Restated Credit Agreement contains certain other covenants (none of which relate to financial condition), events of default and other customary provisions. At March 31, 2020, the Company was in compliance with all of these provisions.

Lazard's annual cash flow generated from operations historically has been sufficient to enable it to meet its annual obligations. We believe that our cash flows from operating activities should be sufficient for us to fund our current obligations for the next 12 months.

Financing Activities

The table below sets forth our corporate indebtedness as of March 31, 2020 and December 31, 2019. The agreements with respect to this indebtedness are discussed in more detail in our condensed consolidated financial statements and related notes included elsewhere in this Form 10-Q and in our Form 10-K.

		Outstanding as of					
		March 31, 2020			December 31, 2019		
Senior Debt	Maturity Date	Principal	Unamortized Debt Costs	Carrying Value	Principal	Unamortized Debt Costs	Carrying Value
		($ in millions)					
Lazard Group 2025 Senior Notes	2025	$ 400.0	$ 2.3	$ 397.7	$ 400.0	$ 2.4	$ 397.6
Lazard Group 2027 Senior Notes	2027	300.0	2.7	297.3	300.0	2.8	297.2
Lazard Group 2028 Senior Notes	2028	500.0	7.6	492.4	500.0	7.8	492.2
Lazard Group 2029 Senior Notes	2029	500.0	7.2	492.8	500.0	7.4	492.6
		$ 1,700.0	$ 19.8	$ 1,680.2	$ 1,700.0	$ 20.4	$ 1,679.6

During March 2019, Lazard Group completed an offering of the 2029 Notes. Lazard Group used a portion of the net proceeds of the 2029 Notes to redeem or otherwise retire the remaining 2020 Notes in transactions that occurred during March 2019 and April 2019.

The indenture and supplemental indentures relating to Lazard Group's senior notes contain certain covenants (none of which relate to financial condition), events of default and other customary provisions. At March 31, 2020, the Company was in compliance with all of these provisions. We may, to the extent required and subject to restrictions contained in our financing arrangements, use other financing sources, which may cause us to be subject to additional restrictions or covenants.

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

Members' Equity

At March 31, 2020, total members' equity was $285 million, as compared to $287 million at December 31, 2019, including $215 million and $219 million attributable to Lazard Group on the respective dates. The net activity in members' equity during the three month period ended March 31, 2020 is reflected in the table below (in millions of dollars):

Members' Equity - January 1, 2020	$ 287
Adjustment for cumulative effect on prior years from the adoption of new accounting guidance	(8)
Balance as adjusted January 1, 2020	279
Increase (decrease) due to:	
Net income	70
Other comprehensive loss	(36)
Amortization of share-based incentive compensation	72
Purchase of common stock	(95)
Settlement of share-based incentive compensation (a)	(67)
Contributions from members	56
Other - net	6
Members' Equity - March 31, 2020	$ 285

(a) The tax withholding portion of share-based compensation is settled in cash, not shares.

The Board of Directors of Lazard has issued a series of authorizations to repurchase common stock, which help offset the dilutive effect of our share-based incentive compensation plans. During a given year Lazard Ltd intends to repurchase at least as many shares as it expects to ultimately issue pursuant to such compensation plans in respect of year-end incentive compensation attributable to the prior year. The rate at which Lazard Ltd purchases shares in connection with this annual objective may vary from period to period due to a variety of factors. Purchases with respect to such program are set forth in the table below:

Three Months Ended March 31:	Number of Shares Purchased	Average Price Per Share
2019	5,177,948	$ 37.10
2020	2,912,035	$ 32.70

As of March 31, 2020, a total of $306 million of share repurchase authorization remained available under Lazard Ltd's share repurchase program, $6 million of which will expire on December 31, 2020 and $300 million of which will expire on December 31, 2021.

During the three month period ended March 31, 2020, Lazard Ltd had in place trading plans under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended, pursuant to which it effected stock repurchases in the open market.

See Notes 12 and 13 of Notes to Condensed Consolidated Financial Statements for additional information regarding Lazard's members' equity and incentive plans, respectively.

Regulatory Capital

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

Contractual Obligations

The following table sets forth information relating to Lazard's contractual obligations as of March 31, 2020:

	Contractual Obligations Payment Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
			($ in thousands)		
Senior debt (including interest)	$ 2,238,542	$ 70,250	$ 140,500	$ 539,792	$ 1,488,000
Operating leases (exclusive of $16,502 of committed sublease income)	767,436	64,901	150,713	124,169	427,653
Investment capital funding commitments (a)	6,056	6,056	-	-	-
Total (b)	$ 3,012,034	$ 141,207	$ 291,213	$ 663,961	$ 1,915,653

(a) Unfunded commitments to private equity investments consolidated but not owned by Lazard of $11,155 are excluded. Such commitments are required to be funded by capital contributions from noncontrolling interest holders. See Note 6 of Notes to Condensed Consolidated Financial Statements. These amounts are generally due on demand and therefore are presented in the "less than 1 year" category.

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

Critical Accounting Policies and Estimates

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

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

Revenue Recognition

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

- a contract with a client has been identified;
- the performance obligations in the contract have been identified;
- the fee or other transaction price has been determined;
- the fee or other transaction price has been allocated to each performance obligation in the contract; and
- the Company has satisfied the applicable performance obligation.

The Company earns performance-based incentive fees on various investment products, including traditional products and alternative investment funds such as hedge funds and private equity funds. See "Financial Statement Overview" for a description of our revenue recognition policies on such fees. If, in Lazard's judgment, collection of a fee is not probable, Lazard will not recognize revenue until the uncertainty is removed. We maintain an allowance for doubtful accounts to provide coverage for estimated losses from our receivables. We determine the adequacy of the allowance under CECL by (i) applying a bad debt charge-off rate based on historical charge-off experience; (ii) estimating the probability of loss based on our analysis of the client's creditworthiness and specifically reserve against exposures where we determine the receivables are impaired, which may include situations where a fee is in dispute or litigation has commenced; and (iii) performing qualitative assessments to monitor economic risks that may require additional adjustments.

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

Compensation Liabilities

Annual discretionary compensation represents a significant portion of our annual compensation and benefits expense. We allocate the estimated amount of such annual discretionary compensation to interim periods in proportion to the amount of operating revenue earned in such periods based on an assumed annual ratio of awarded compensation and benefits expense to operating revenue. See "Financial Statement Overview—Operating Expenses" for more information on our periodic compensation and benefits expense.

Income Taxes

As part of the process of preparing our consolidated financial statements, we estimate our income taxes for each of our tax-paying entities in its respective jurisdiction. In addition to estimating actual current tax liabilities for these jurisdictions, we also must account for the tax effects of differences between the financial reporting and tax reporting of items, such as basis adjustments, compensation and benefits expense, and depreciation and amortization. Differences which are temporary in nature result in deferred tax assets and liabilities. Significant judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities, any valuation allowance recorded against our deferred tax assets and our unrecognized tax benefits.

We recognize a deferred tax asset if it is more likely than not (defined as a likelihood of greater than 50%) that a tax benefit will be accepted by a taxing authority. The measurement of deferred tax assets and liabilities is based upon currently enacted tax rates in the applicable jurisdictions. At December 31, 2019, on a consolidated basis, we recorded gross deferred tax assets of approximately $139 million, with such amount partially offset by a valuation allowance of approximately $70 million (as described below).

Subsequent to the initial recognition of deferred tax assets, we also must continually assess the likelihood that such deferred tax assets will be realized. If we determine that we may not fully derive the benefit from a deferred tax asset, we consider whether it would be appropriate to apply a valuation allowance against the applicable deferred tax asset, taking into account all available information. The ultimate realization of a deferred tax asset for a particular entity depends, among other things, on the generation of taxable income by such entity in the applicable jurisdiction.

We consider multiple possible sources of taxable income when assessing a valuation allowance against a deferred tax asset, including:

- future reversals of existing taxable temporary differences;
- future taxable income exclusive of reversing temporary differences and carryforwards;
- taxable income in prior carryback years; and
- tax-planning strategies.

The assessment regarding whether a valuation allowance is required or should be adjusted also considers all available information, including the following:

- nature, frequency, magnitude and duration of any past losses and current operating results;
- duration of statutory carryforward periods;
- historical experience with tax attributes expiring unused; and
- near-term and medium-term financial outlook.

The weight we give to any particular item is, in part, dependent upon the degree to which it can be objectively verified. We give greater weight to the recent results of operations of a relevant entity. Pre-tax operating losses on a three year cumulative basis or lack of sustainable profitability are considered objectively verifiable evidence and will generally outweigh a projection of future taxable income.

Certain of our tax-paying entities have individually experienced losses on a cumulative three year basis or have tax attributes that may expire unused. In addition, one of our tax-paying entities has recorded a valuation allowance on substantially all of its deferred tax assets due to the combined effect of operating losses in certain subsidiaries of that entity as well as foreign taxes that together substantially offset any U.S. tax liability. Taking into account all available information, we cannot determine that it is more likely than not that deferred tax assets held by these entities will be realized. Consequently, we have recorded valuation allowances on $70 million of deferred tax assets held by these entities as of December 31, 2019.

We record tax positions taken or expected to be taken in a tax return based upon our estimates regarding the amount that is more likely than not to be realized or paid, including in connection with the resolution of any related appeals or other legal processes. Accordingly, we recognize liabilities for certain unrecognized tax benefits based on the amounts that are more likely than not to be settled with the relevant taxing authority. Such liabilities are evaluated periodically as new information becomes available and any changes in the amounts of such liabilities are recorded as adjustments to “income tax expense.” Liabilities for unrecognized tax benefits involve significant judgment and the ultimate resolution of such matters may be materially different from our estimates.

In addition to the discussion above regarding deferred tax assets and associated valuation allowances, as well as unrecognized tax benefit liability estimates, other factors affect our provision for income taxes, including changes in the geographic mix of our business, the level of our annual pre-tax income, transfer pricing and intercompany transactions.

See Item 1A, “Risk Factors” in our Form 10-K and Note 16 of Notes to Condensed Consolidated Financial Statements for additional information related to income taxes.

Investments

Investments consist primarily of interest-bearing deposits, debt and equity securities, and interests in alternative investment, debt, equity and private equity funds.

These investments, with the exception of interest-bearing deposits, are carried at fair value on the condensed consolidated statements of financial condition, and any increases or decreases in the fair value of these investments are reflected in earnings. The fair value of investments is generally based upon market prices or the net asset value (“NAV”) or its equivalent for investments in funds. See Note 6 of Notes to Condensed Consolidated Financial Statements for additional information on the measurement of the fair value of investments.

Lazard is subject to market and credit risk on investments held. As such, gains and losses on investment positions held, which arise from sales or changes in the fair value of the investments, are not predictable and can cause periodic fluctuations in net income.

Data relating to investments is set forth below:

	March 31, 2020	December 31, 2019
	($ in thousands)	
Seed investments by asset class:		
Equities (a)	$ 87,936	$ 93,535
Fixed income	12,067	13,923
Alternative investments	19,724	5,850
Total seed investments	119,727	113,308
Other investments owned:		
Private equity (b)	20,597	23,588
Interest-bearing deposits	450	517
Fixed income and other (c)	24,963	124,670
Total other investments owned	46,010	148,775
Subtotal	165,737	262,083
Add:		
Private equity consolidated, not owned (d)	18,561	10,774
LFI (e)	321,455	259,138
Total investments	$ 505,753	$ 531,995

(a) At March 31, 2020 and December 31, 2019, seed investments in directly owned equity securities were invested as follows:

	March 31, 2020	December 31, 2019
Percentage invested in:		
Financials	19%	26%
Consumer	35	32
Industrial	14	15
Technology	20	16
Other	12	11
Total	100%	100%

(b) Private equity investments include investments related to certain legacy businesses and co-investments in private equity funds managed by our Asset Management business. Co-investments owned were $17 million and $20 million as of March 31, 2020 and December 31, 2019, respectively.

(c) At December 31, 2019, includes investments in U.S. Treasury securities of approximately $100 million, with original maturities of greater than three months and less than one year.

(d) Represents private equity investments that are consolidated but owned by noncontrolling interests, and therefore do not subject the Company to market or credit risk. The applicable noncontrolling interests are presented within "members' equity" on the condensed consolidated statements of financial condition.

(e) Composed of investments held in connection with LFI and other similar deferred compensation arrangements. The market risk associated with such investments is equally offset by the market risk associated with the derivative liability with respect to awards expected to vest. The Company is subject to market risk associated with any portion of such investments that employees may forfeit. See "—Risk Management—Risks Related to Derivatives" for risk management information relating to derivatives. LFI investments held in entities in which the Company maintained a controlling interest were $159 million in nine entities as of March 31, 2020, as compared to $93 million in eight entities as of December 31, 2019.

At March 31, 2020 and December 31, 2019, total investments with a fair value of $505 million and $531 million, respectively, included $53 million and $34 million, respectively, or 10% and 6%, respectively, of investments that were classified using NAV or its equivalent as a practical expedient. See Notes 5 and 6 of Notes to Condensed Consolidated Financial Statements for additional information regarding investments measured at fair value, including the levels of fair value within which such measurements of fair value fall.

As of March 31, 2020 and December 31, 2019, the Company held seed investments of approximately $120 million and $113 million, respectively. Seed investments held in entities in which the Company maintained a controlling interest were $56 million in eight entities as of March 31, 2020, as compared to $47 million in seven entities as of December 31, 2019.

As of March 31, 2020 and December 31, 2019, the Company did not consolidate or deconsolidate any seed investment entities or LFI investment entities with the exception of the consolidation of certain LFI funds (see Note 20 of Notes to the Condensed Consolidated Financial Statements). As such, 100% of the recorded balance of seed investments and substantially all of LFI investments as of March 31, 2020 and December 31, 2019 represented the Company's economic interest in the seed and LFI investments. See "—Consolidation of Variable Interest Entities" below for more information on the Company's policy regarding the consolidation of seed and LFI investment entities.

For additional information regarding risks associated with our investments, see "Risk Management—Investments" below as well as Item 1A, "Risk Factors—Other Business Risks—Our results of operations may be affected by fluctuations in the fair value of positions held in our investment portfolios" in our Form 10-K.

Assets Under Management

AUM primarily consists of debt and equity instruments, which have a value that is readily available based on either prices quoted on a recognized exchange or prices provided by external pricing services.

Prices of equity and debt securities and other instruments that comprise our AUM are provided by well-recognized, independent, third-party vendors. Such third-party vendors rely on prices provided by external pricing services which are obtained from recognized exchanges or markets, or, for certain fixed income securities, from an evaluated bid or other similarly sourced price.

Either directly, or through our third-party vendors, we perform a variety of regular due diligence procedures on our pricing service providers. Those procedures include oversight by our internal operations group, review of the pricing service providers' internal control frameworks, review of the pricing service providers' valuation methodologies, reconciliation to client custodial account values and comparison of significant pricing differences.

Goodwill

In accordance with current accounting guidance, goodwill has an indefinite life and is tested for impairment annually, as of November 1, or more frequently if circumstances indicate impairment may have occurred. The Company performs a qualitative evaluation about whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount in lieu of actually calculating the fair value of the reporting unit. See Note 9 of Notes to Condensed Consolidated Financial Statements for additional information regarding goodwill.

Consolidation

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

- Voting Interest Entities. VOEs are entities in which (i) the total equity investment at risk is sufficient to enable the entity to finance itself independently and (ii) the equity holders have the obligation to absorb losses, the right to receive residual returns and the right to make decisions about the entity’s activities. Lazard is required to consolidate a VOE if it holds a majority of the voting interest in such VOE.
- Variable Interest Entities. VIEs are entities that lack one or more of the characteristics of a VOE. If Lazard has a variable interest, or a combination of variable interests, in a VIE, it is required to analyze whether it needs to consolidate such VIE. Lazard is required to consolidate a VIE if we are the primary beneficiary having (i) the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance and (ii) the obligation to absorb losses of, or receive benefits from, the VIE that could be potentially significant to the VIE.

Lazard’s involvement with various entities that are VOEs or VIEs primarily arises from LFI investments and investment management contracts with fund entities in our Asset Management business. Lazard is not required to consolidate such entities because, with the exception of certain seed and LFI investments, as discussed below, we do not hold more than an inconsequential equity interest in such entities and we do not hold other variable interests (including our investment management agreements, which do not meet the definition of variable interests) in such entities.

Lazard makes seed and LFI investments in certain entities that are considered VOEs and VIEs and often require consolidation as a result of our investment. The impact of seed and LFI investment entities that require consolidation on the condensed consolidated financial statements, including any consolidation or deconsolidation of such entities, is not material to our financial statements. Our exposure to loss from entities in which we have made such investments is limited to the extent of our investment in, or investment commitment to, such entities. See “Critical Accounting Policies and Estimates—Investments” above for more information regarding our investments.

Generally, when the Company initially invests to seed an investment entity, the Company is the majority owner of the entity. Our majority ownership in seed investment entities represents a controlling interest, except when we are the general partner in such entities and the third-party investors have the right to replace the general partner. To the extent material, we consolidate seed and LFI investment entities in which we own a controlling interest, and we would deconsolidate any such entity when we no longer have a controlling interest in such entity.

Risk Management

Investments

The Company has investments in a variety of asset classes, primarily debt and equity securities, and interests in alternative investments, debt, equity and private equity funds. The Company makes investments primarily to seed strategies in our Asset Management business or to reduce exposure arising from LFI and other similar deferred compensation arrangements. The Company measures its net economic exposure to market and other risks arising from investments that it owns, excluding (i) investments held in connection with LFI and other similar deferred compensation arrangements, (ii) investments in funds owned entirely by the noncontrolling interest holders of certain acquired entities and (iii) interest-bearing deposits with maturities over 90 days that allow daily withdrawals without principal penalties.

Risk sensitivities include the effects of economic hedging. For equity market price risk, investment portfolios and their corresponding hedges are beta-adjusted to the All-Country World equity index. Fair value and sensitivity measurements presented herein are based on various portfolio exposures at a particular point in time and may not be representative of future results. Risk exposures may change as a result of ongoing portfolio activities and changing market conditions, among other things.

Equity Market Price Risk—At March 31, 2020 and December 31, 2019, the Company's exposure to equity market price risk in its investment portfolio, which primarily relates to investments in equity securities, equity funds and hedge funds, was approximately $98 million and $85 million, respectively. The Company hedges market exposure arising from a significant portion of our equity investment portfolios by entering into total return swaps. The Company estimates that a hypothetical 10% adverse change in market prices would result in a net decrease of approximately $0.4 million and $1.0 million in the carrying value of such investments as of March 31, 2020 and December 31, 2019, respectively, including the effect of the hedging transactions.

Interest Rate/Credit Spread Risk—At March 31, 2020 and December 31, 2019, the Company's exposure to interest rate and credit spread risk in its investment portfolio related to investments in debt securities or funds which invest primarily in debt securities was $47 million and $153 million, respectively. The Company hedges market exposure arising from a portion of our debt investment portfolios by entering into total return swaps. The Company estimates that a hypothetical 100 basis point adverse change in interest rates or credit spreads would result in a decrease of approximately $1.1 million and $1.0 million in the carrying value of such investments as of March 31, 2020 and December 31, 2019, respectively, including the effect of the hedging transactions.

Foreign Exchange Rate Risk—At March 31, 2020 and December 31, 2019, the Company's exposure to foreign exchange rate risk in its investment portfolio, which primarily relates to investments in foreign currency denominated equity and debt securities, was $43 million and $37 million, respectively. A significant portion of the Company's foreign currency exposure related to our equity and debt investment portfolios is hedged through the aforementioned total return swaps. The Company estimates that a 10% adverse change in foreign exchange rates versus the U.S. Dollar would result in a decrease of approximately $0.2 million and $0.2 million in the carrying value of such investments as of March 31, 2020 and December 31, 2019, respectively, including the effect of the hedging transactions.

Private Equity—The Company invests in private equity primarily as a part of its co-investment activities and in connection with certain legacy businesses. At March 31, 2020 and December 31, 2019, the Company's exposure to changes in fair value of such investments was approximately $21 million and $24 million, respectively. The Company estimates that a hypothetical 10% adverse change in fair value would result in a decrease of approximately $2.1 million and $2.4 million in the carrying value of such investments as of March 31, 2020 and December 31, 2019, respectively.

Risks Related to Receivables

We maintain an allowance for doubtful accounts to provide coverage for probable losses from our receivables. We determine the adequacy of the allowance by estimating the probability of loss based on our analysis of the client's creditworthiness, among other things, and specifically provide for exposures where we determine the receivables are impaired. At March 31, 2020, total receivables amounted to $657 million, net of an allowance for doubtful accounts of $31 million. As of that date, Financial Advisory and Asset Management fees, receivables from Lazard Ltd subsidiaries, and customers and other receivables comprised 73%, 10%, and 17% of total receivables, respectively. At December 31, 2019, total receivables amounted to $698 million, net of an allowance for doubtful accounts of $27 million. As of that date, Financial Advisory and Asset Management fees, receivables from Lazard Ltd subsidiaries, and customers and other receivables comprised 77%, 5% and 18% of total receivables, respectively. See also "Critical Accounting Policies and Estimates—Revenue Recognition" above and Note 4 of Notes to Condensed Consolidated Financial Statements for additional information regarding receivables.

LFB engages in lending activities, including commitments to extend credit (primarily for clients of LFG). At March 31, 2020 and December 31, 2019, customer receivables included $75 million and $76 million, respectively, of LFB loans, with such loans being fully collateralized and closely monitored for counterparty creditworthiness.

Credit Concentrations

To reduce the exposure to concentrations of credit, the Company monitors large exposures to individual counterparties.

Risks Related to Derivatives

Lazard enters into forward foreign currency exchange contracts and interest rate swaps to hedge exposures to currency exchange rates and interest rates and uses total return swap contracts on various equity and debt indices to hedge a portion of its market exposure with respect to certain seed investments related to our Asset Management business. Derivative contracts are recorded at fair value. Derivative assets amounted to $27 million and $1 million at March 31, 2020 and December 31, 2019, respectively, and derivative liabilities, excluding the derivative liability arising from the Company's obligation pertaining to LFI and other similar deferred compensation arrangements, amounted to $3 million and $10 million at such respective dates.

The Company also records derivative liabilities relating to its obligations pertaining to LFI awards and other similar deferred compensation arrangements, the fair value of which is based on the value of the underlying investments, adjusted for estimated forfeitures. Changes in the fair value of the derivative liabilities are equally offset by the changes in the fair value of investments which are expected to be delivered upon settlement of LFI awards. Derivative liabilities relating to LFI amounted to $272 million and $226 million at March 31, 2020 and December 31, 2019, respectively.

Risks Related to Cash and Cash Equivalents and Corporate Indebtedness

A significant portion of the Company's indebtedness has fixed interest rates, while its cash and cash equivalents generally have market interest rates. Based on account balances as of March 31, 2020, Lazard estimates that its annual operating income relating to cash and cash equivalents would increase by approximately $8 million in the event interest rates were to increase by 1% and decrease by approximately $8 million if rates were to decrease by 1%.

As of March 31, 2020, the Company's cash and cash equivalents totaled approximately $781 million. Substantially all of the Company's cash and cash equivalents were invested in (i) highly liquid institutional money market funds (a significant majority of which were invested solely in U.S. Government or agency money market funds), (ii) in short-term interest bearing and non-interest bearing accounts at a number of leading banks throughout the world, and (iii) in short-term certificates of deposit from such banks. Cash and cash equivalents are constantly monitored. On a regular basis, management reviews its investment profile as well as the credit profile of its list of depositor banks in order to adjust any deposit or investment thresholds as necessary.

Operational Risk

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

Recent Accounting Developments

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Risk Management

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

Item 4. Controls and Procedures

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

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

Except for the new risk factor below, there were no material changes from the risk factors previously disclosed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019.

Our business, financial condition and results of operations could be materially adversely affected by the COVID-19 pandemic.

The recent outbreak of a novel strain of coronavirus (“COVID-19”) is now affecting the global community and our business, financial condition and results of operations. The nature and severity of the impact is highly uncertain, and the extent to which COVID-19 affects our operations and heightens the risks described in the section entitled “Risk Factors” in our Form 10-K will depend largely on future developments, including the course of the pandemic and the extent of actions that have been or may be taken to contain or address its impact. These actions, many of which have already been implemented in various jurisdictions worldwide, include, but are not limited to, declarations of states of emergency, business closures (including the complete or partial closure of many of our offices), restrictions on businesses’ ability to pay dividends or make distributions, restrictions on in-person meetings and travel, or other similar restrictions and limitations. While such actions may be relaxed or suspended if and when the COVID-19 pandemic abates, they may also be reinstated as the pandemic continues to evolve, and the relaxation or suspension of such actions may not be successful in restarting economic activity. The scope and timing of any such actions or reinstatements is difficult to predict.

Moreover, the COVID-19 pandemic has adversely affected the economies in impacted countries and regions, including those in which our businesses operate, and the global financial markets, including the global debt and equity capital markets, which are experiencing, and may continue to experience, significant volatility. The pandemic has led to an economic downturn, including a sharp drop in aggregate demand and, particularly in the U.S., a high level of unemployment, that could adversely affect our business, financial condition and results of operations and could have a negative impact on our Financial Advisory and Asset Management businesses. Disruptions to, and volatility in, the global financial markets as a result of the COVID-19 pandemic may result in a decrease in the volume and value of M&A transactions, thereby reducing the demand for our Financial Advisory services and increasing price competition among financial services companies seeking such engagements, which may adversely affect our financial condition and results of operations. Those same market disruptions may result in a decrease in our AUM resulting in lower investment advisory fees for our Asset Management business, may also affect our ability to effect transactions for our Asset Management clients and may negatively impact the liquidity of the assets held in our client portfolios. Furthermore, any such disruptions to the global financial markets may affect our ability to incur debt or issue equity on acceptable terms, or at all, to fund our working capital requirements or refinance existing indebtedness, or to make acquisitions and other investments. Additionally, we have exposure to many different industries and counterparties, and we routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds and other institutional clients. Many of these transactions expose us to credit risk in the event our counterparty or client defaults, which defaults could become more frequent or widespread due to the impact of the COVID-19 pandemic.

Our efforts to mitigate the impact of the COVID-19 pandemic have required, and will continue to require, a significant investment of time and resources across our businesses. In response to recommendations or orders by governmental institutions limiting certain business or commercial activities in jurisdictions in which we operate around the world, we have taken, and may take further, preventative or protective actions, including instituting policies requiring employees who are capable of performing their functions remotely to do so. These arrangements may result in reduced productivity and limitations on the ability of our managing directors and employees to communicate or interact, which may adversely impact our business, financial condition and results of operations. Furthermore, given the unprecedented number of employees performing their functions remotely, we have reinforced policies, procedures and guidelines that we believe are reasonably designed to protect the confidentiality of our and our clients’ confidential information, but there can be no assurance that these measures will be adequate. Any unauthorized disclosure of such information could result in legal action, regulatory sanctions and reputational or financial harm.

Similarly, due to the unprecedented number of employees continuously deploying the remote working capabilities of our information systems, including on home networks or through increased use of mobile technologies, we face a heightened risk of operational interruptions and security breaches involving such systems. Additionally, such home and mobile technology resources could be more susceptible to interruptions and security breaches than our dedicated business resources. There can be no assurance that protective measures and policies we have instituted in an effort to reduce the likelihood and severity of such interruptions and breaches, including as a result of cyber attacks, will be adequate. For additional information regarding operational risks with respect to our businesses, which may be exacerbated by COVID-19 and the associated actions taken to contain or address its impact, see the Risk Factors entitled “A failure in or breach of our information systems or infrastructure, or those of third parties with which we do business, including as a result of cyber attacks, could disrupt our businesses, lead to reputational harm and legal liability or otherwise impact our ability to operate our business” in our Form 10-K.

Certain of our third party vendors or service providers may take, have taken or may take further preventative or protective actions, including instituting policies requiring their respective employees who are capable of performing their functions remotely to do so and implementing or expanding back-up procedures and capabilities, and may be experiencing a growing demand for their services. Any failure of or interruption to their systems or any back-up procedures and capabilities as a result of such actions or such growth in demand could materially adversely affect our business, financial condition and results of operations. For additional information risks related to our reliance on vendor systems, see the Risk Factor entitled “Other operational risks may disrupt our businesses, result in regulatory action against us or limit our growth” in our Form 10-K.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

PART IV

Item 6. Exhibits

3.1	Certificate of Formation of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement (File No. 333-126751) on Form S-4 filed on July 21, 2005).
3.2	Certificate of Amendment of Certificate of Formation of the Registrant, changing name to Lazard Group LLC (incorporated by reference to Exhibit 3.2 to the Registrant's Registration Statement (File No. 333-126751) on Form S-4 filed on July 21, 2005).
3.3	Amended and Restated Operating Agreement of the Registrant, dated as of February 4, 2019 (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report (File No. 333-126751) on Form 8-K filed on February 5, 2019).
4.1	Indenture, dated as of May 10, 2005, by and between the Registrant and The Bank of New York, as Trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement (File No. 333-126751) on Form S-4 filed on July 21, 2005).
4.2	Sixth Supplemental Indenture, dated as of February 13, 2015, between the Registrant and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K (File No. 333-126751) filed on February 13, 2015).
4.3	Seventh Supplemental Indenture, dated as of November 4, 2016, between Lazard Group LLC and the Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K (File No. 333-126751) filed on November 7, 2016).
4.4	Eighth Supplemental Indenture, dated as of September 19, 2018, between Lazard Group LLC and the Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 333-126751) filed on September 19, 2018).
4.5	Ninth Supplemental Indenture, dated as of March 11, 2019, between Lazard Group LLC and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 333-126751) filed on March 11, 2019).
4.6	Form of Senior Note (included in Exhibits 4.2, 4.3, 4.4 and 4.5).
10.1	Lease, dated as of January 27, 1994, by and between Rockefeller Center Properties and Lazard Frères & Co. LLC (incorporated by reference to Exhibit 10.19 to Lazard Ltd's Registration Statement (File No. 333-121407) on Form S-1/A filed on February 11, 2005).
10.2	Fourth Amendment dated as of February 16, 2011, by and among RCPI Landmark Properties, L.L.C. (as the successor in interest to Rockefeller Center Properties), RCPI 30 Rock 22234849, L.L.C. and Lazard Group LLC (as the successor in interest to Lazard Frères & Co. LLC), to the Lease dated as of January 27, 1994, by and among Rockefeller Center Properties and Lazard Frères & Co. LLC (incorporated by reference to Exhibit 10.15 to the Registrant's Quarterly Report (File No. 333-126751) on Form 10-Q filed on April 29, 2011).
10.3*	Lazard Ltd's 2005 Equity Incentive Plan (incorporated by reference to Exhibit 10.21 to Lazard Ltd's Registration Statement (File No. 333-121407) on Form S-1/A filed on May 2, 2005).
10.4*	Lazard Ltd's 2008 Incentive Compensation Plan (incorporated by reference to Annex B to Lazard Ltd's Definitive Proxy Statement on Schedule 14A (File No. 001-32492) filed on March 24, 2008).
10.5*	Lazard Ltd's 2016 French Sub-plan (incorporated by reference to Annex B to Lazard Ltd's Definitive Proxy Statement on Schedule 14A (File No. 001-32492) filed on March 10, 2016).
10.6*	Lazard Ltd 2018 Incentive Compensation Plan (incorporated by reference to Annex B to Lazard Ltd's Definitive Proxy Statement on Schedule 14A (File No. 001-32492) filed on March 15, 2018).
10.7*	Amended and Restated Agreement relating to Retention and Noncompetition and Other Covenants, dated as of March 29, 2019, by and among the Registrant, Lazard Ltd and Kenneth M. Jacobs (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 333-126751) filed on April 3, 2019).
10.8*	Amended and Restated Agreement relating to Retention and Noncompetition and Other Covenants, dated as of March 29, 2019, by and among the Registrant, Lazard Ltd and Ashish Bhutani (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K (File No. 333-126751) filed on April 3, 2019).
10.9*	Amended and Restated Agreement relating to Retention and Noncompetition and Other Covenants, dated as of March 29, 2019, by and among the Registrant, Lazard Ltd and Scott D. Hoffman (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K (File No. 333-126751) filed on April 3, 2019).

10.10*	Amended and Restated Agreement relating to Retention and Noncompetition and Other Covenants, dated as of March 29, 2019, by and among the Registrant, Lazard Ltd and Evan L. Russo (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 333-126751) filed April 3, 2019).
10.11*	Amended and Restated Agreement relating to Retention and Noncompetition and Other Covenants, dated as of March 29, 2019, by and among the Registrant, Lazard Ltd and Alexander F. Stern (incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K (File No. 333-126751) filed on April 3, 2019).
10.12*	Form of Award Letter for Annual Grant of Deferred Stock Units to Non-Executive Directors (incorporated by reference to Exhibit 99.1 to Lazard Ltd's Current Report on Form 8-K (File No. 001-32492) filed on September 8, 2005).
10.13*	Form of Agreement evidencing a grant of Restricted Stock Units to Executive Officers under the 2008 Incentive Compensation Plan (incorporated by reference to Exhibit 10.41 to Lazard Ltd's Annual Report (File No. 001-32492) on Form 10-K filed on March 2, 2009).
10.14*	Form of Agreement evidencing a grant of Deferred Cash Award to Executive Officers (incorporated by reference to Exhibit 10.42 to Lazard Ltd's Annual Report (File No. 001-32492) on Form 10-K filed on March 2, 2009).
10.15*	Directors' Fee Deferral Unit Plan (incorporated by reference to Exhibit 10.39 to Lazard Ltd's Quarterly Report (File No.001-32492) on Form 10-Q filed on May 11, 2006).
10.16	Amended and Restated Credit Agreement, dated as of September 25, 2015, among the Registrant, the Banks from time to time parties thereto, and Citibank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.25 to the Registrant's Quarterly Report (File No. 333-126751) on Form 10-Q filed on October 28, 2015).
10.17*	Form of Agreement evidencing a grant of Lazard Fund Interests to Named Executive Officers (incorporated by reference to Exhibit 10.54 to the Registrant's Quarterly Report (File No. 333-126751) on Form 10-Q filed on May 1, 2013).
10.18*	Form of Agreement evidencing a February 20, 2014 grant of Performance-Based Stock Units under the 2008 Incentive Compensation Plan (incorporated by reference to Exhibit 10.54 to the Registrant's Quarterly Report (File No. 333-126751) on Form 10-Q filed on May 6, 2014).
10.19*	Agreement between Lazard Ltd and Kenneth M. Jacobs, dated as of February 20, 2014, evidencing a grant of Performance-Based Stock Units under the 2008 Incentive Compensation Plan (incorporated by reference to Exhibit 10.55 to the Registrant's Quarterly Report (File No. 333-126751) on Form 10-Q filed on May 6, 2014).
10.20*	Form of Agreement evidencing a grant of Restricted Stock under the 2008 Incentive Compensation Plan (incorporated by reference to Exhibit 10.54 to the Registrant's Quarterly Report (File No. 333-126751) on Form 10-Q filed on April 30, 2010).
10.21*	Form of Agreement evidencing a grant of Lazard Fund Interests (incorporated by reference to Exhibit 10.54 to the Registrant's Quarterly Report (File No. 333-126751) on Form 10-Q filed on April 29, 2011).
10.22*	Form of Agreement for Performance-Based Profits Interest Participation Right Units under the 2018 Incentive Compensation Plan (incorporated by reference to Exhibit 10.22 to the Registrant's Quarterly Report (File No 333-126751) on Form 10-Q filed on April 30, 2019).
31.1	Rule 13a-14(a) Certification of Kenneth M. Jacobs.
31.2	Rule 13a-14(a) Certification of Evan L. Russo.
32.1	Section 1350 Certification for Kenneth M. Jacobs.
32.2	Section 1350 Certification for Evan L. Russo.
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because iXBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* Management contract or compensatory plan or arrangement.

SIGNATURES

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

Dated: May 4, 2020

LAZARD GROUP LLC

By:	/s/ Evan L. Russo
Name:	Evan L. Russo
Title:	Chief Financial Officer
By:	/s/ Dominick Ragone
Name:	Dominick Ragone
Title:	Chief Accounting Officer

EXHIBIT 31.1

I, Kenneth M. Jacobs, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 of Lazard Group LLC (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: May 4, 2020

/s/ Kenneth M. Jacobs
Kenneth M. Jacobs
Chairman and Chief Executive Officer

EXHIBIT 31.2

I, Evan L. Russo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 of Lazard Group LLC (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: May 4, 2020

/s/ Evan L. Russo

Evan L. Russo
Chief Financial Officer

EXHIBIT 32.1

May 4, 2020
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Pursuant to 18 U.S.C. § 1350, the undersigned officer of Lazard Group LLC (the "Registrant") hereby certifies that the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Kenneth M. Jacobs
Kenneth M. Jacobs
Chairman and Chief Executive Officer

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

EXHIBIT 32.2

May 4, 2020
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Pursuant to 18 U.S.C. § 1350, the undersigned officer of Lazard Group LLC (the “Registrant”) hereby certifies that the Registrant’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Evan L. Russo

Evan L. Russo
Chief Financial Officer

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