

Lazard Ltd
Form S-1/A
May 02, 2005
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As filed with the Securities and Exchange Commission on May 2, 2005

Registration No. 333-123463

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 2

TO "The Equity Incentive Plan

The following is a description of the material terms of the Equity Incentive Plan (which we refer to in this section as the plan). You should, however, refer to the exhibits that are a part of the registration statement for a copy of the plan. See Where You Can Find More Information.

Purpose

The purposes of the plan are to attract, retain and motivate key employees and directors of, and consultants and advisors to, Lazard and to align the interests of key employees, directors, consultants and advisors with those of stockholders through equity-based compensation and enhanced opportunities for ownership of shares of our common stock. We currently expect that after this offering we will pay a portion of our bonus compensation in the form of equity awards of Lazard Ltd that will be subject to vesting and other terms. We do not currently intend to grant any stock options in respect of shares of our common stock during the first two years following this offering unless and to the extent that we determine that such grants would be appropriate for European employees or managing directors under agreed upon circumstances.

Administration

The plan will be administered by the compensation committee or such other committee of our board of directors as our board of directors may from time to time establish. The committee administering the plan will be referred to in this description as the committee. Among other things, the committee will have the authority to select individuals to whom awards may be granted, to determine the type of award as well as the number of shares of common stock to be covered by each award, and to determine the terms and conditions of any such awards. All determinations by the committee or its designee under the plan will be final, binding and conclusive.

Eligibility

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Persons who serve or agree to serve as our officers, employees, directors, consultants or advisors who are responsible for, or contribute to, our management, growth and profitability are eligible to be granted awards under the plan. Holders of equity-based awards issued by a company acquired by us or with which we combine will be eligible to receive substitute awards under the plan.

Shares Available

Subject to adjustment, the plan authorizes the issuance of up to 25,000,000 shares of common stock pursuant to the grant or exercise of stock options, stock appreciation rights (SARs), restricted stock, stock units and other equity-based awards. If any award is forfeited or if any stock option or SAR

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terminates without being exercised, or if any SAR is exercised for cash, shares of common stock subject to such awards will be available for distribution in connection with awards under the plan. If the option price of any stock option granted under the plan is satisfied by delivering shares of common stock to us (by actual delivery or attestation), only the number of shares of common stock issued net of the shares of common stock delivered or attested to will be deemed delivered for purposes of determining the maximum number of shares of common stock available for delivery under the plan. To the extent any shares are not delivered to a participant because such shares are used to satisfy any applicable tax-withholding obligation, such shares will not be deemed to have been delivered for purposes of determining the maximum number of shares of common stock available for delivery under the plan. The shares subject to grant under the plan are to be made available from authorized but unissued shares or from shares held by our subsidiaries, as determined from time to time by our board of directors.

Change in Capitalization or Change in Control

The plan provides that, in the event of any change in corporate capitalization, such as a stock split, or any fundamental corporate transaction, such as any merger, amalgamation, consolidation, separation, spinoff or other distribution of property (including any extraordinary cash or stock dividend), or any reorganization or partial or complete liquidation of us, the committee or the board of directors may make such substitution or adjustment as it deems appropriate in its discretion in the aggregate number and kind of shares reserved for issuance under the plan, in the exercise price of shares subject to outstanding stock options and SARs, and in the number and kind of shares subject to other outstanding awards granted under the plan. Any adjustments described in the immediately preceding sentence that are considered deferred compensation subject to Section 409A of the Code will be made in such manner as to ensure that after such adjustment, the awards either continue not to be subject to, or comply with the requirements of, Section 409A of the Code. The plan also provides that in the event of a change in control of us, unless otherwise provided for in the individual award agreement: (i) SARs and stock options outstanding as of the date of the change in control, which are not then exercisable and vested will become fully exercisable and vested, (ii) the restrictions and deferral limitations applicable to restricted stock will lapse and such restricted stock will become free of all restrictions and fully vested, and (iii) all stock units will vest in full and be immediately settled.

Types of Awards

FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

LAZARD LTD

LAZARD GROUP FINANCE LLC

(Exact name of registrant as specified in its charter)

Bermuda	6199	98-0437848
Delaware	6199	20-2281724
<i>(State or other jurisdiction of</i>	<i>(Primary Standard Industrial</i>	<i>(I.R.S. Employer</i>
<i>incorporation or organization)</i>	<i>Classification Code Number)</i>	<i>Identification Number)</i>

Lazard Ltd

Lazard Group Finance LLC

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Clarendon House
2 Church Street
Hamilton HM 11, Bermuda

30 Rockefeller Plaza
New York, New York 10020
(212) 632-6000

(441) 295-1422

(Name, address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Scott D. Hoffman, Esq.

Lazard Ltd

As indicated above, several types of awards can be made under the plan. A summary of these grants is set forth below.

Stock Options

Eligible individuals can be granted non-qualified stock options under the plan. The exercise price of such options cannot be less than 100% of the fair market value of the stock underlying the options on the date of grant. The term of the options will be determined by the committee. Optionees may pay the exercise price in cash or, if approved by the committee, in common stock (valued at its fair market value on the date of exercise) or a combination thereof, or, to the extent permitted by applicable law, by cashless exercise through a broker or by withholding shares otherwise receivable on exercise. The committee will determine the vesting and exercise schedule of options. Unless determined otherwise by the committee in its discretion, unvested options terminate upon termination of service, and vested options will generally remain exercisable for one year after the optionee's death, three years after the optionee's termination for disability, five years after the optionee's retirement and 90 days after the optionee's termination for any other reason (other than for cause, in which case all options will terminate). Unless determined otherwise by the committee, if an optionee's service terminates during the two-year period following a change in control (other than for cause), options held

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by the optionee will remain exercisable until the third anniversary of the change in control. Notwithstanding the foregoing rules, in no event will an option remain exercisable following the expiration of its original term.

SARs

SARs may be granted as stand-alone awards or in conjunction with an option. An SAR entitles the holder to receive, upon exercise, the excess of the fair market value of a share of common stock at the time of exercise over the exercise price of the applicable SAR multiplied by the specified number of shares of common stock in respect of which the SAR has been exercised. Such amount will be paid to the holder in stock (valued at its fair market value on the date of exercise), cash or a combination thereof, as the committee may determine. An SAR granted in conjunction with an option is exercisable only when and to the extent the related option is exercisable. An option will be cancelled to the extent that its related SAR is exercised or cancelled, and an SAR will be cancelled to the extent the related option is exercised or cancelled. Unless determined otherwise by the committee, unvested SARs terminate upon termination of service, and vested SARs generally will remain exercisable for one year after the holder's death, three years after the holder's termination for disability, five years after the holder's termination due to retirement and 90 days after the holder's termination for any other reason (other than for cause, in which case all SARs will terminate). Unless determined otherwise by the committee, if a holder's service terminates during the two-year period following a change in control (other than for cause), SARs held by the holder will remain exercisable until the third anniversary of the change in control. Notwithstanding the foregoing rules, in no event will an SAR remain exercisable following the expiration of its original term. Generally, stand-alone SARs are subject to the same terms and conditions as stock options as described above.

Restricted Stock

Restricted stock may be granted with such restrictions and restricted periods as the committee may determine. The committee may provide that a grant of restricted stock will vest upon the continued service of the participant or the satisfaction of applicable performance goals. Restricted stock is generally forfeited upon termination of service, unless otherwise provided by the committee. Other than such restrictions on transfer and any other restrictions the committee may impose, the participant will have all the rights of a stockholder with respect to the restricted stock award, although the committee may provide for the automatic deferral or reinvestment of dividends or impose vesting requirements on dividends.

Stock Units

The committee may grant stock unit awards, which represent a right to receive cash based on the fair market value of a share of common stock or a share of common stock. The committee may provide that a grant of stock units will vest upon the continued service of the participant or the satisfaction of applicable performance goals. Stock units that are not vested are generally forfeited upon termination of service, unless otherwise provided by the committee. Holders of stock units do not have the rights of a stockholder with respect to the award unless and until the award is settled in shares of common stock, although the committee may provide for dividend equivalent rights.

Other Equity-Based Awards

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The committee may grant other types of equity-based awards based upon Lazard common stock, including unrestricted stock and dividend equivalent rights.

Transferability

Awards generally will not be transferable, except by will and the laws of descent and distribution or to the extent otherwise permitted by the committee.

Lazard Group Finance LLC

30 Rockefeller Plaza

New York, New York 10020

(212) 632-6000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Adam D. Chinn, Esq.

Kris F. Heinzelman, Esq.

Craig M. Wasserman, Esq.

Erik R. Tavzel, Esq.

Gavin D. Solotar, Esq.

Cravath, Swaine & Moore LLP

Wachtell, Lipton, Rosen & Katz

Worldwide Plaza

51 West 52nd Street

825 Eighth Avenue

New York, New York 10019

New York, New York 10019

(212) 403-1000

(212) 474-1000

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

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

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

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

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

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. "

CALCULATION OF REGISTRATION FEE

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Title of each class of securities to be registered	Amount Proposed to be Registered	Proposed Maximum Aggregate Offering Price(1)(2) Per Security	Amount of	Equity Security Units	11,500,000 \$ 25 \$ 287,500,000 \$ 33,839
			registratitom:0px" ALIGN="center">165		

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Duration of the Plan

The plan will have a term of ten years from the date of its adoption by our board of directors.

Amendment and Discontinuance

The plan may be amended, altered or discontinued by the board of directors, but, except as required by applicable law, stock exchange rules, tax rules or accounting rules, no amendment, alteration or discontinuance may materially impair the rights of an optionee under an option or a recipient of an SAR, restricted stock award, stock unit award or other equity-based award previously granted without the optionee's or recipient's consent. The plan may not be amended without stockholder approval to the extent such approval is required by applicable law or stock exchange rules. Notwithstanding the foregoing, the committee may grant awards to eligible participants who are subject to legal or regulatory provisions of countries or jurisdictions outside the U.S., on terms and conditions different from those specified in the plan, as it determines to be necessary, and may make such modifications, amendments, procedures, or subplans as are necessary to comply with such legal or regulatory provisions.

Federal Income Tax Consequences

The following discussion is intended only as a brief summary of the material U.S. federal income tax rules that are generally relevant to non-qualified stock options as the plan does not provide for the grant of incentive stock options within the meaning of Section 422 of the Code. The laws governing the tax aspects of awards are complex and such laws are subject to change.

Upon the grant of a nonqualified option, the optionee will not recognize any taxable income and we will not be entitled to a deduction. Upon

the exercise of such an option or related SAR, the excess of the fair market value of the shares acquired upon the exercise of the option or SAR over the exercise price of the option or the cash paid under an SAR will constitute compensation taxable to the optionee as ordinary income. We, or our applicable affiliate, in computing our U.S. federal income tax, will generally be entitled to a deduction in an amount equal to the compensation taxable to the optionee.

Participatory Interests in Lazard Group

We also intend to grant participatory interests in Lazard Group to certain of our current and future managing directors in connection with the separation and recapitalization transactions. The participatory interests will be discretionary profits interests that are intended to enable Lazard Group to compensate our managing directors in a manner consistent with historical compensation practices. Initially, 20% of Lazard Group's adjusted operating income (as defined below) will be distributable among our current managing directors holding Lazard Group participatory interests in amounts as determined in our sole discretion. We may elect to withhold all or part of the distributions otherwise payable in respect of a participatory interest (subject to minimum distributions in respect of taxes). Any associated capital interests will be surrendered in the event the managing director ceases to be employed by Lazard Group. The 20% figure will be set forth in the Lazard Group operating agreement and will be subject to adjustment if the total amount allocable to the holders of the participatory interests exceeds 8% of adjusted operating revenue (as defined below), in which case the aggregate percentage interest will be reduced to equal the amount determined by dividing 8% of adjusted operating revenue by adjusted operating income. For purposes of the above, adjusted operating revenue is defined as revenue less interest expense other than with respect to operating interest expense and extraordinary gains, and adjusted operating income is defined as the difference between adjusted operating revenue and adjusted operating expenses, which, in turn, are defined as

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expenses exclusive of compensation expense paid to managing directors (other than LAM managing directors), minority interest, interest expense other than operating interest expense, extraordinary losses and income taxes. Amounts distributed pursuant to the participatory interests will be accounted for as part of our compensation and benefits expense and, therefore, included in the computation of our target ratio of compensation expense-to-operating revenue.

This program is terminable, in whole or in part, at any time at our election. The participatory interests will carry no other rights, including voting or liquidation rights or preferences, beyond those incident to such distributions, must be forfeited upon a holder ceasing to be a managing director and will not be transferable.

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PRINCIPAL STOCKHOLDERS

The following table sets forth as of the date of this prospectus certain information regarding the beneficial ownership of our common stock.

Lazard Group Finance LLC Senior Notes due 2035(4) Class A common stock, par value \$0.01 per share(5) Purchase Contracts(6)	\$ 287,500,000	\$	33,839
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- (1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(a) under the Securities Act of 1933.
- (2) Exclusive of accrued interest, if any.
- (3) Registration fee previously paid in connection with the initial filing of this Registration Statement.
- (4) The Lazard Group Finance LLC Senior Notes are offered as a component of the equity security units for no additional consideration.
- (5) Shares of Class A common stock of Lazard Ltd to be issued to the holders of equity security units upon settlement of the purchase contracts, for a purchase price of \$25 per unit. The actual number of shares of Class A common stock to be issued will not be determined until the date of settlement of the related equity security units. Also includes an indeterminate number of shares of Class A common stock issuable in the event certain contract adjustment payments become payable in such shares, for which no additional consideration will be paid.
- (6) The purchase contracts are offered as a component of the equity securities units for no additional consideration.

The Registrants hereby amend this registration statement on such date as may be necessary to delay its effective date until the :5% ">To our knowledge, except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned by them. The following table reflects the principal stockholders of Lazard Ltd immediately following this offering. Except as indicated below, the address for each listed stockholder is c/o Lazard Group LLC, 30 Rockefeller Plaza, New York, New York 10020.

Name and Address of Beneficial Owner	Number of Shares of Class B Common Stock Beneficially Owned	Number of Shares of Common Stock Beneficially Owned (a)	Percentage of Shares of Common Stock Beneficially Owned	Percentage of Voting Power (b)
5% Stockholders:				
LAZ-MD Holdings 30 Rockefeller Plaza New York, New York 10020	1	0		66.35%(e)(f)
IXIS (c) 47, Quai d Austerlitz 75648 Paris Cedex 13			1.92%	1.92%
France		1,923,077		
Directors, director nominees and named executive officers:				

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

Subject to Completion. Dated May 2, 2005.

10,000,000 Units

% Equity Security Units

This is an offering of equity security units of Lazard Ltd, or Lazard. Each equity security unit has a stated amount of \$25 and will consist of (a) a contract pursuant to which you agree to purchase, for \$25, shares of Class A common stock of Lazard on _____, 2008 and (b) a 1/40, or 2.5%, ownership interest in a senior note of Lazard's affiliate, Lazard Group Finance LLC, or Lazard Group Finance, a Delaware limited liability company, with a principal amount of \$1,000. The ownership interest in the senior note initially will be held as a component of your unit and be pledged to secure your obligation to purchase shares of common stock of Lazard under the related purchase contract.

Lazard will make quarterly contract adjustment payments to you under the purchase contract at the annual rate of _____ % of the stated amount of \$25 per purchase contract. In addition, Lazard Group Finance will make quarterly interest payments on the senior notes at the initial annual rate of _____ %. Lazard has the right to defer the contract adjustment payments on the purchase contracts, but Lazard Group Finance does not have the right to defer the interest payments on the senior notes. The senior notes will be remarketed and, in connection with the remarketing, the interest rate, payment dates and maturity date on the senior notes will

be reset. The senior notes will be secured by a pledge of senior, unsecured notes issued by Lazard LLC, which holds the Lazard financial advisory and asset management businesses described in this prospectus. Lazard Group Finance will purchase the Lazard LLC notes with the proceeds from this offering. The units will be sold initially by the underwriters in a minimum number of 40 units.

Prior to this offering and the concurrent initial public offering of Class A common stock of Lazard, there has been no public market for the units or Lazard's Class A common stock.

In addition to offering these units, Lazard concurrently is offering pursuant to a separate prospectus 30,464,579 shares of its Class A common stock, or the common stock, plus up to an additional 4,569,686 shares of common stock if the underwriters for that offering exercise their option to purchase additional shares of common stock. Lazard LLC also is offering \$650 million in principal amount of senior, unsecured notes concurrently in a private placement. The completion of this offering of equity security units is subject to the completion of the initial public offering of Class A common stock of Lazard and the private placement of the Lazard LLC senior notes and also is subject to satisfaction of conditions to the separation described in this prospectus. Lazard also intends to sell \$150 million of securities that are the same as the equity security units and \$50 million of our common stock to a third party in a private placement upon closing of this offering.

The equity security units and the shares of common stock that will be issued in the concurrent equity public offering have each been approved for listing on the New York Stock Exchange under the symbols LDZ and LAZ, respectively.

See Risk Factors beginning on page 36 to read about important factors you should consider before buying units.

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

	Per Unit	Total		
	11,694,083		11.69%	11.69%(d)
les		0		
h)		8,355,198	8.36%	8.36%
ordan,		383,715	0.38%	0.38%
i)		1,923,077	1.92%	1.92%
		478,314	0.48%	0.48%(d)
club		1,806,966	1.81%	1.81%(d)
fman		584,607	0.58%	0.58%(d)
Ward, III		1,594,382	1.59%	1.59%(d)
and				
c				
ce	\$	\$		
ng	\$	\$		
before				
to	\$	\$		

The initial public offering price set forth above does not include accumulated contract adjustment payments and accrued interest, if any. Contract adjustment payments on the purchase contracts and interest on the senior notes will accrue from the date of original issuance, which is expected to be , 2005.

To the extent that the underwriters sell more than 10,000,000 units, the underwriters have the option to purchase up to an additional 1,500,000 units from Lazard at the initial public offering price less the underwriting discount.

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

Goldman, Sachs & Co.

Citigroup

Lazard

Merrill Lynch & Co.

Morgan Stanley

**Credit Suisse
First Boston**

JPMorgan

Prospectus dated _____, 2005.

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Established 1848

Presence in 27 cities in 15 countries

Executive offices in Paris, London, Milan and New York

in-left:3.00em;
text-indent:-1.00em">officers
as a group

**Financial
Advisory**

(nine persons) (g) 18,465,144 18.45% 18.45%

(a) The Lazard Group common membership interests issued to LAZ-MD Holdings are exchangeable for shares of common stock on a one-for-one basis, as described under The Separation and Recapitalization Transactions and the Lazard Organizational Structure The Separation and Recapitalization Transactions The Recapitalization of LAZ-MD Holdings and Lazard Group. As each of these Lazard Group common membership interests is associated with a LAZ-MD Holdings exchangeable interest, LAZ-MD Holdings disclaims beneficial ownership of the shares of common stock into which the Lazard Group common membership interests are exchangeable.

(b) The percentage of voting power includes both the voting power of common stock and Class B common stock in the aggregate.

(c) The 1,923,077 shares of our common stock that IXIS is expected to acquire as part of the additional financing transactions generally may not be transferred for a period of 545 days from the date of purchase. Excludes to shares of our common stock underlying the equity security units to be issued to IXIS pursuant to the IXIS investment agreement. Were IXIS to exchange these securities at the price at which the common stock is being offered pursuant to the prospectus for the equity public offering, it would beneficially own between % and % of the common stock, including the shares of common stock into which the Lazard Group common membership interests are exchangeable.

(d) For each of the named executive officers (except for a portion of Mr. Wasserstein's interest), the percentage also includes shares of our common stock that are issuable upon exchange of the LAZ-MD Holdings exchangeable interests held by such person and, in the case of Mr. Wasserstein, the Wasserstein family trusts. With respect to Mr. Wasserstein, includes 1,266,190 shares held directly. Voting of the LAZ-MD Holdings exchangeable interests are subject to voting provisions in the LAZ-MD Holdings stockholders agreement and are included in the 66.3% voting interest of LAZ-MD Holdings. See Certain

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Relationships and Related Transactions LAZ-MD Holdings Stockholders Agreement. The interests are included on an as exchanged basis and absent an acceleration event, these interests will be exchangeable pro-rata on the third, fourth and fifth anniversaries of the offering assuming satisfaction of service requirements and compliance with covenants as described in Management Arrangements with Our Managing Directors The Retention Agreements in General and Management Arrangements with Our Managing Directors The Retention Agreements with Named Executive Officers.

(e) LAZ-MD Holdings holds the single outstanding share of Class B common stock, which immediately following this offering and the additional financing transactions will represent approximately 66.3% of the voting stock of all shares of our voting stock (or approximately 63.4% of the voting power if the underwriters over-allotment is fully exercised).

(f) The single share of Class B common stock held by LAZ-MD Holdings generally will entitle our managing directors to one vote per share of each LAZ-MD Holdings exchangeable interest on a pass through basis. See The Separation and Recapitalization Transactions and the Lazard Organizational Structure The Separation and Recapitalization Transactions Exchange of Working Member Interests for LAZ-MD Holdings Interests and Description of Capital Stock and Certain Relationships and Related Transaction LAZ-MD Holdings Stockholders Agreement.

(g) Includes 66,346,154 shares of our common stock that are issuable

Asset Management

2004 Net Revenue of \$655 million

131 managing directors and 512 other professionals as of December 31, 2004

2004 Net Revenue of \$417 million

35 managing directors and 260 other professionals as of December 31, 2004

Assets Under Management

2004 Net Revenue

\$86 Billion as of December 31, 2004

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PROSPECTUS SUMMARY

This is a public offering of equity security units by Lazard Ltd, which we refer to in this prospectus as the ESU offering. Unless the context otherwise requires, the terms:

Lazard, we, us and our refer to Lazard Ltd, a newly-formed company incorporated under the laws of Bermuda, and its subsidiaries, including Lazard Group (as defined below) and the businesses, subsidiaries, assets and liabilities that Lazard Group will retain after the completion of the transactions described in this prospectus, and

Lazard Group refers to Lazard LLC, a Delaware limited liability company that is the current holding company for our businesses, which will be renamed Lazard Group LLC in connection with this offering and in which Lazard Ltd will acquire a controlling interest upon completion of this offering.

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with different information. The distribution of this prospectus and sale of these securities in certain jurisdictions may be restricted by law. Persons in possession of this prospectus are required to inform themselves about and observe any such restrictions. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate as of the date on the front cover of this prospectus only. Our business, financial condition, results of operations and prospects may have changed since that date.

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

Lazard

We are a preeminent international financial advisory and asset management firm that has long specialized in crafting solutions to the complex financial and strategic challenges of our clients. We serve a diverse set of clients around the world, including corporations, partnerships, institutions, governments and high-net worth individuals. We believe that what sets us apart is our dedication to:

&nbse upon
exchange of
the LAZ-MD
Holdings
exchangeable
interests held
by such
persons.

(h) Each of Messrs. Wasserstein s and Jones share ownership includes 8,355,198 shares of our common stock that are issuable upon exchange of the LAZ-MD Holdings exchangeable interests held by the Wasserstein family trusts for the benefit of his family and over which he does not have control. The voting power over the shares of our common stock issuable upon exchange of the LAZ-MD Holdings exchangeable interests held by the Wasserstein family trusts is vested in Mr. Jones, who will serve on our board of directors, and members of Mr. Wasserstein s family, as trustees. Neither Mr. Wasserstein nor Mr. Jones has any beneficial or other ownership interest in these shares.

(i) Includes the 1,923,077 shares of our common stock that IXIS is expected to acquire as part of the additional financing transactions, which generally may not be transferred for a period of 545 days from the date of purchase. Excludes to shares of our common stock underlying the equity security units to be issued to IXIS pursuant to the IXIS investment agreement. Mr. Orsatelli disclaims beneficial ownership of the securities issued pursuant to the IXIS investment agreement as described in footnote (c) above.

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Immediately following the completion of the separation and recapitalization transactions, LAZ-MD Holdings will control our company. LAZ-MD Holdings will own approximately 66.3% of the voting power of all shares of our voting stock (or approximately 63.4% of the voting power if the underwriters' over-allotment option is fully exercised) and will thereby be able to control the election of our directors. LAZ-MD Holdings' voting power in our company is intended to mirror its economic interest in Lazard Group, and its voting power will decrease over time in connection with the exchange of the LAZ-MD Holdings exchangeable interests for shares of our common stock. The working members, including our managing directors who hold working member interests at the time of the separation, will own LAZ-MD Holdings and will, through the LAZ-MD Holdings stockholders' agreement, have the right to cause LAZ-MD Holdings to vote its Class B common stock on an as-if-exchanged basis. In addition, LFCM Holdings, which is the entity that will own and operate the separated businesses, will no longer be a subsidiary of either Lazard Group or LAZ-MD Holdings. It will be owned by the working members, including our managing directors who will be members of LAZ-MD Holdings. See Risk Factors - Risks Related to the Separation - Lazard Ltd will be controlled by LAZ-MD Holdings and, through the LAZ-MD stockholders' agreement, by the working members, whose interests may differ from those of other stockholders, and The Separation and Recapitalization Transactions and the Lazard Organizational Structure.

We intend to enter into several agreements with LAZ-MD Holdings and LFCM Holdings to effect the separation and recapitalization transactions and to define and regulate the relationships of the parties after the closing of those transactions. Except as described in this section, we do not expect to have any material arrangements with LAZ-MD Holdings and LFCM Holdings after the completion of the separation and recapitalization transactions other than ordinary course business relationships on arm's length terms.

Agreements with LAZ-MD Holdings and LFCM Holdings

We have provided below summary descriptions of the master separation agreement and the other key related agreements we will enter into with LAZ-MD Holdings and LFCM Holdings prior to the closing of this offering. These agreements effect the separation and recapitalization transactions and also provide a framework for our ongoing relationship with LAZ-MD Holdings and LFCM Holdings. These agreements include:

the master separation agreement,

the employee benefits agreement,