Lazard Ltd
Form S-1
December 17, 2004

As filed with the Securities and Exchange Commission on December 17, 2004

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

LAZARD LTD

(Exact name of Registrant as specified in its charter)

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

Clarendon House

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Hamilton HM 11, Bermuda

(441) 295-1422

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

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Lazard Ltd

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

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

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

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

(1) Estimated solely for purposes of calculating the amount of the registration fee in accordance with Rule 457(a) under the Securities Act of 1933, as amended.

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

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

Subject to Completion. Dated December 17, 2004.

Shares

Class A Common Stock

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

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

See *Risk Factors* *beginning on page 20 to read about factors you should consider before buying shares of the common stock.*

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

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

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

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

Goldman, Sachs & Co.

Citigroup

Lazard

Merrill Lynch & Co.

Morgan Stanley

Credit Suisse First Boston **JPMorgan**

Prospectus dated , 2005.

Our Core Values

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

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

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

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

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

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

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

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

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

Our Business

Financial Advisory	Asset Management
Net revenue of $617 million (12 months ended September 30, 2004)	Net revenue of $415 million (12 months ended September 30, 2004)

130 managing directors, over 520 other professionals as of September 30, 2004

Net Revenue

12 Months Ended September 30, 2004

35 managing directors, over 260 other professionals as of September 30, 2004

Assets Under Management

$78.5 Billion as of September 30, 2004

INTRODUCTORY NOTE

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

This is a public offering of Class A common stock of Lazard Ltd, which will be the holding company for the public s common equity interests in Lazard LLC, which we refer to in this prospectus as Lazard Group. Lazard Group is the company that holds the Lazard financial advisory and asset management businesses. The remaining common equity interests in Lazard Group will be held by an entity that will be owned and controlled by current and former managing directors of Lazard Group, which we refer to in this prospectus as LAZ-MD Holdings. The members of LAZ-MD Holdings have the right to effectively exchange their interests in LAZ-MD Holdings for shares of Lazard Ltd common stock on a one-for-one basis over time.

Lazard Ltd, which will have no material assets other than its interests in Lazard Group, will hold a controlling interest in Lazard Group and manage its affairs. As a result of this controlling interest, Lazard Ltd will consolidate the financial statements of Lazard Group.

This offering is one of a series of concurrent securities offerings that Lazard Ltd and Lazard Group intend to complete, which other offerings we refer to in this prospectus as the additional financing transactions. We will use the net proceeds of this offering and the additional financing transactions primarily to recapitalize Lazard Group, which transaction we refer to in this prospectus as the recapitalization. As a part of the recapitalization, Lazard Group will redeem outstanding membership interests of its historical partners (as defined below).

Prior to completing the recapitalization, Lazard Group will transfer its capital markets business, which is comprised of equity, fixed income and convertibles sales and trading, broking, research and underwriting services, its merchant banking fund management activities other than its existing merchant banking business in France and specified non-operating assets and liabilities, to LFCM Holdings LLC, a new private company that will be owned by our current and former managing directors. We refer to these businesses, assets and liabilities as the separated businesses and these transfers collectively as the separation. Except as otherwise expressly noted, this prospectus describes Lazard Group s business as if the separation were complete for all purposes for all periods described. The historical consolidated financial data of Lazard Group included in this prospectus, however, reflect the historical results of operations and financial position of Lazard Group including the separated businesses. In addition to other adjustments, the pro forma financial data included in this prospectus reflect financial data for Lazard Group and Lazard Ltd giving effect to the separation and the recapitalization, as well as other adjustments made as a result of this offering and the additional financing transactions.

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

Unless the context otherwise requires, the terms:

historical partners refers to two general classes of members of Lazard Group, which consist of Eurazeo S.A., descendants and relations of our founders, several historical partners of our predecessor entities, several current and former managing directors and the other members of these classes, Lazard, we, us and our refer to Lazard Ltd, a newly-formed company incorporated under the laws of Bermuda, and its subsidiaries, including Lazard Group and the businesses, subsidiaries, assets and liabilities that Lazard Group will retain after the separation (but excluding the separated businesses),

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

LAZ-MD Holdings refers to LAZ-MD Holdings LLC, a newly-formed Delaware limited liability company that after the recapitalization will hold equity interests in Lazard Group and the Class B common stock of Lazard Ltd,

LFCM Holdings refers to LFCM Holdings LLC, a newly-formed Delaware limited liability company that will hold the separated businesses,

managing directors refers to our managing directors and the managing directors of the separated businesses,

net revenue from continuing operations means our historical net revenue excluding the net revenue of the separated businesses,

operating revenue means our consolidated total revenue less (1) total revenue attributable to the separated businesses and (2) interest expense related to Lazard Frères Banque, SA, our Paris-based banking affiliate,

our business refers to all of the businesses, subsidiaries, assets and liabilities of Lazard Group after giving effect to the separation, and

working members refers to the two classes of members of Lazard Group that consists of current and former managing directors.

The Bermuda Monetary Authority has classified us as a non-resident of Bermuda for exchange control purposes. Accordingly, the Bermuda Monetary Authority does not restrict our ability to engage in transactions in currencies other than Bermuda dollars, to transfer funds in and out of Bermuda or to pay dividends to non-Bermuda residents who are stockholders, other than in Bermuda dollars. We intend to apply for, and expect to receive, consent under the Exchange Control Act 1972 from the Bermuda Monetary Authority for the issue and transfer of the common stock to and between non-residents of Bermuda for exchange control purposes, provided that our shares remain listed on an appointed stock exchange, which includes the New York Stock Exchange, or the NYSE. This prospectus will be filed with the Registrar of Companies in Bermuda in accordance with Bermuda law. In granting such consent and in accepting this prospectus for filing, neither the Bermuda Monetary Authority nor the Registrar of Companies in Bermuda accepts any responsibility for our financial soundness or the correctness of any of the statements made or opinions expressed in this prospectus.

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

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

PROSPECTUS SUMMARY

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

Lazard

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

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

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

Our Strategic Positioning

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

Our Mergers and Acquisitions practice is poised to capitalize on any future growth in the mergers and acquisitions market. This practice comprised 45% of our net revenue from continuing operations for the nine months ended September 30, 2004. During the fourth quarter of 2004, we have experienced an increased rate of revenue growth in comparison to revenue growth during the first nine months of 2004, such that we estimate that full year 2004 Mergers and Acquisitions net revenue will be up approximately 13% from 2003. This reflects an improvement relative to the increase of 9% for the nine months ended September 30, 2004 versus the comparable period in 2003.

Our Financial Restructuring practice, which comprised 7% of our net revenue from continuing operations for the nine months ended September 30, 2004, provides countercyclical balance to our Mergers and Acquisitions practice. Following the recent economic recovery, and consistent with our expectation, this practice has experienced a substantial cyclical decline in revenue over the last year. With our leading position in this practice area, we believe that we are positioned to benefit from any resurgence in corporate credit defaults and financial distress.

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

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

Our Business Model

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

Financial Advisory

Our Financial Advisory business provides advice in connection with a wide range of strategic and financial matters that are typically of great importance to our clients. Our goal is to continue to grow our business by fostering long-term, senior-level relationships with existing and new clients as their independent advisor on strategic transactions such as mergers, acquisitions, restructurings and other financial matters. Our Mergers and Acquisitions services include general strategic advice and transaction-specific advice regarding domestic and cross-border mergers and acquisitions,

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divestitures, privatizations, special committee assignments, takeover defenses, strategic partnerships, joint ventures and specialized real estate advisory services. We provide advice to managements and boards of directors, business owners, governments, institutions, investors and other interested parties on a worldwide basis. Our dedicated industry specialty groups include: consumer, financial institutions, financial sponsors, healthcare and life sciences, industrial, power and energy, real estate, and technology, media and telecommunications. We also provide various corporate finance services, such as fund-raising for alternative investment firms and public and private financings.

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

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

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

- making a significant reinvestment in our intellectual capital with the addition of many senior professionals who we believe have strong client relationships and industry expertise. We have recruited or promoted 68 new managing directors from January 2002 through September 2004, contributing to a 48% increase, net of departures, in Financial Advisory managing director headcount over that period, with the result that approximately half of our Financial Advisory managing directors have joined our firm or been promoted since January 2002. While we will continue opportunistically to hire outstanding individuals to this practice, we anticipate that our recent managing director expansion program in this practice is now substantially complete,

- increasing our contacts with existing clients to further enhance our long-term relationships and our efforts in developing new client relationships,

- expanding the breadth and depth of our industry expertise and adding new practice areas,

- coordinating our industry specialty groups on a global basis, and

- broadening our global presence by adding six new regional offices and entering into strategic alliances in new geographies.

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

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

- increasing demand for independent, unbiased financial advice, and

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

Asset Management

Our Asset Management business provides investment management and advisory services to institutional clients, financial intermediaries, private clients and investment vehicles around the world. Our goal in our Asset Management business is to produce superior risk-adjusted investment returns and provide investment solutions customized for our clients. As of September 30, 2004, total AUM was $78.5 billion, of which approximately 80% was managed on behalf of institutional clients, including corporations, labor unions, public pension funds, insurance companies and banks, and through sub-advisory relationships, mutual fund sponsors, broker-dealers and registered advisors. As of the same date, approximately 20% of our AUM was managed on behalf of individual client relationships, which are principally with family offices and high-net worth individuals.

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

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

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

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

focused on enhancing our investment performance,

improved our investment management platform by hiring eight senior equity analysts and filling the newly established position of Head of Risk Management, strengthened our marketing capabilities by establishing a global consultant relations effort aimed at improving our relations with the independent consultants who advise many of our clients on the selection of investment managers,

expanded our product platform by lifting-out experienced portfolio managers to establish new products in the hedge fund area and in thematic investing, and

launched new products such as Lazard European Explorer, a European long/short strategy, and Lazard Global Total Return and Income Fund, Inc., a closed-end fund.

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

Competitive Advantages

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

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

Independence. We are an independent firm, free of many of the conflicts that can arise at larger financial institutions as a result of their varied sales, trading, underwriting, research and lending activities. We believe that recent instances of perceived or actual conflicts of interest, and a desire to avoid any potential future conflicts, have increased the demand by managements and boards of directors for trusted, unbiased advice from professionals whose main product is advice.

Reputation. Our firm has a brand name with over 150 years of history. We are focused on providing world-class professional advice in complex strategic and financial assignments, utilizing both our global capabilities and deeply rooted, local know-how.

Focus. We are focused on two primary businesses Financial Advisory and Asset Management rather than on a broad range of financial services. We believe this focus has helped, and will continue to help, us attract clients and recruit professionals who want to work in a firm where these activities are the central focus.

Global Presence with Local Relationships. We believe that linking our talented indigenous professionals, deep local roots and industry expertise across offices enables us to be a global firm while maintaining a local identity. We believe this approach enables us to build close, local relationships with our clients and to develop insight into both local and international commercial, economic and political issues affecting their businesses. We do not regard any single jurisdiction as our home country.

Balance*.* Our Financial Advisory business includes both our Mergers and Acquisitions practice and our Financial Restructuring practice, which historically have been countercyclical to each other, thus helping to stabilize our revenue stream. Our Asset Management business helps provide further stability, principally because we generate significant recurring client business from year to year. Our revenue is also geographically diversified: in 2003 we derived 52% of our net revenue from continuing operations from offices in North America, 45% from offices in Europe and 3% from offices in the rest of the world.

Strong Culture. We believe that our people are united by a desire to be a part of an independent firm in which their activities are at the core and by a commitment to excellence and integrity in their activities. This is reinforced by the significant economic stake our managing directors have in our success. In our opinion, the strength of our many long-term client relationships is a testament to our distinctive culture and approach to providing superior advice to our clients.

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

Our Initial Public Offering

We decided to become a public company in order to:

better align the interests of all of our owners by using the net proceeds from this offering, and the net proceeds from the additional financing transactions, to redeem membership interests in our firm held by the historical partners,

incentivize our key employees, who also will be our primary owners, to grow the profitability of our business and enhance our ability to retain and recruit talented professionals, and

provide us with publicly traded securities, which we could use to finance strategic acquisitions in the future.

Our History

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

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

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

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

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

The unification of the Houses of Lazard under a single global firm was completed as of January 3, 2000, with their merger to form Lazard LLC. We believe that this combination has enabled us to offer our clients the benefits of a more unified global firm while preserving the advantages of our century-old, local roots. Bruce Wasserstein joined Lazard in early 2002 as Head of Lazard. Under Mr. Wasserstein s direction, Lazard has pursued a strategy of growing its Financial Advisory and Asset Management businesses by attracting senior investment bankers and investment advisory professionals to our firm.

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

- Nextel Communications in its pending merger-of-equals with Sprint Corporation (to create a company with a combined equity market value of approximately $70 billion),

- Telecom Italia Mobile in its pending □21 billion sale of the remaining public interests to Telecom Italia (integrating Italy s largest phone carrier and leading mobile operator),

- Mitsubishi Tokyo Financial Group in its pending merger with UFJ Holdings (the first contested transaction among Japanese banks, creating the world s largest financial institution as measured by assets as of the date of this prospectus),

- Hollinger International Inc. in its £730 million sale of the Telegraph Group Limited to Press Holdings International (owned by the Barclay brothers) in 2004 (the largest single title newspaper transaction as of the date of this prospectus),

- Fisher Scientific International Inc. in its $3.7 billion acquisition of Apogent Technologies Inc. in 2004 (creating a leading life sciences business),

- Bank One Corporation in its $59 billion sale to JPMorgan Chase & Co. in 2004 (creating the second largest bank in the U.S. as of the date of this prospectus),

- Canary Wharf Group PLC in its £5 billion sale of a majority interest to an investment consortium in 2004 (the largest ever public-to-private transaction for a listed real estate company as of the date of this prospectus),

- Alcan Inc. in its $7 billion acquisition of Pechiney in 2004 (creating the world s largest aluminum company based on revenue as of the date of this prospectus),

- Telecom Italia in its □25 billion sale of minority shareholder interests to Olivetti in 2003 (simplifying the ownership structure of one of Europe s largest telecommunications firms), Caisse des Dépôts et Consignations in its €16 billion partnership with Group Caisse d Epargne in 2003 (completing the restructuring of the French public finance sector and creating a major universal bank), and

Pfizer Inc. in its $89 billion acquisition of Warner-Lambert Company in 2000 (the largest unsolicited acquisition at the time) and in its $61 billion acquisition of Pharmacia (the largest announced acquisition in 2002).

In recent years, we have been an advisor in most of the largest and highest profile corporate restructurings around the world. Since 1999, we have advised on over 100 in and out-of-court restructurings comprising in excess of $300 billion of debt restructured. Our restructuring assignments have included, in the U.S., WorldCom Inc. ($18 billion of debt) and Reliant Resources ($9 billion of debt), in Italy, Parmalat ($28 billion of debt), in the U.K., Marconi Corporation plc ($8 billion of debt), in France and the U.K., Eurotunnel plc ($12 billion of debt) and in Korea, Daewoo Motor Co., Ltd. ($50 billion of debt).

We were incorporated in Bermuda on October 25, 2004. Our registered office in Bermuda is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, with a general telephone number of (441) 295-1422. Our principal executive offices are located in the U.S. at 30 Rockefeller Plaza, New York, New York 10020, with a general telephone number of (212) 632-6000, in France at 121 Boulevard Haussmann, 75382 Paris Cedex 08, with a general telephone number of 33-1-4413-0111, in the U.K. at 50 Stratton Street, London W1J 8LL, with a general telephone number of 44-20-7187-2000 and in Italy at via Dell Orso 2, 20121 Milan, with a general telephone number of 39-02-723121. In total, we maintain offices in 27 cities worldwide. We maintain an Internet site at *www.lazard.com.* **Our website and the information contained on that site, or connected to that site, are not incorporated into this prospectus.**

Lazard s Organizational Structure

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

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

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

Each share of our common stock will entitle its holder to one vote per share. The share of our Class B common stock is intended to allow our managing directors to individually vote in proportion to their indirect economic interests in us. This will be effected by LAZ-MD Holdings, which holds our Class B common stock, entering into a stockholders agreement with its members pursuant to which the members individually will be entitled to direct LAZ-MD Holdings how to vote their proportionate interest in our Class B common stock on an as-if-exchanged basis. This means that if a member held a LAZ-MD Holdings exchangeable interest that was effectively exchangeable for 1,000 shares of our common stock, that member would be entitled to direct LAZ-MD Holdings how to vote 1,000 votes represented by our Class B common stock. Our Class B common stock will be entitled, on all matters

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submitted to a vote of the stockholders of Lazard Ltd, to the number of votes equal to the number of shares of our common stock that would be issuable if all of the then outstanding Lazard Group common membership interests issued to LAZ-MD Holdings were exchanged for shares of our common stock. We refer to this stockholders agreement as the LAZ-MD Holdings Stockholders Agreement. Immediately after this offering, our Class B common stock will have % of the voting power of our company, which percentage will decrease proportionately as Lazard Group common membership interests are exchanged for shares of our common stock. Our public stockholders initially will hold all shares of our common stock, representing approximately % of the voting power in our company and 100% of our capital stock on an economic basis. The Class B common stock will not have any economic rights.

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

The working members will receive, in exchange for their interests in Lazard Group, membership interests in LAZ-MD Holdings, including LAZ-MD Holdings exchangeable interests, in connection with the separation and recapitalization transactions. These LAZ-MD Holdings exchangeable interests are effectively exchangeable for shares of our common stock on the eighth anniversary of this offering. In addition, the LAZ-MD Holdings exchangeable interests held by our working members who continue to provide services to us or LFCM Holdings will, subject to certain conditions, generally be effectively exchangeable for shares of our common stock in equal increments on and after each of the third, fourth and fifth anniversaries of this offering. LAZ-MD Holdings and Lazard also have the right to cause the holders of LAZ-MD Holdings exchangeable interests to exchange all such remaining interests during the 30-day period following the ninth anniversary of this offering. Upon full exchange of the LAZ-MD Holdings exchangeable interests for shares of our common stock, the Class B common stock would cease to be outstanding, and all of the Lazard Group common membership interests formerly owned by LAZ-MD Holdings would be owned by Lazard Ltd. Pursuant to a master separation agreement that we will enter into with Lazard Group, LAZ-MD Holdings and LFCM Holdings, a stockholders committee will be formed and will have the ability to accelerate the exchangeability of these LAZ-MD Holdings exchangeable interests, with the prior approval of our board of directors. See Certain Relationships and Related Transactions Relationship with LAZ-MD Holdings and LFCM Holdings Master Separation Agreement LAZ-MD Holdings Exchangeable Interests.

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

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

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

Relationship with LAZ-MD Holdings and LFCM Holdings

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

The Offering

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

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

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

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

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

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

Summary Consolidated Financial Data

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

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

The separation, which is described in more detail in The Separation and Recapitalization Transactions and the Lazard Organizational Structure and Management s Discussion and Analysis of Financial Condition and Results of Operations.

Payment for services rendered by Lazard Group s managing directors, which, as a result of Lazard Group operating as a limited liability company, historically has been accounted for as distributions from members capital, or in some cases as minority interest, rather than as compensation and benefits expense. As a result, Lazard Group s operating income historically has not reflected payments for services rendered by its managing directors. After this offering, we will include all payments for services rendered by our managing directors to us in compensation and benefits expense.

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

Minority interest expense reflecting LAZ-MD Holdings ownership of approximately % of the Lazard Group common membership interests outstanding immediately after this offering and the separation and recapitalization transactions.

The use of proceeds from this offering and the additional financing transactions.

The incremental expense related to the additional financing transactions.

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

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

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

Summary Consolidated Financial Data

	For the Year Ended December 31,					For the Nine Months Ended September 30,	
	1999(a)	2000	2001	2002	2003	2003	2004
	($ in thousands, except as otherwise noted and except for per share data)						
Lazard Group Historical Consolidated Statement of Income Data							
Net Revenue:							
Financial Advisory (b)	$ 662,555	$ 766,856	$ 551,356	$ 532,896	$ 690,967	$ 480,162	$ 406,126
Asset Management (c)	385,529	457,124	410,237	454,683	350,348	225,361	289,956
Corporate (d)	71,352	34,432	(14,392)	(4,768)	6,500	(6,073)	4,734
Capital Markets and Other	365,985	294,388	224,854	183,468	135,569	106,619	134,112
Net Revenue (e)	1,485,421	1,552,800	1,172,055	1,166,279	1,183,384	806,069	834,928
Employee Compensation and Benefits	474,503	570,064	524,417	469,037	481,212	351,392	401,901
Other Operating Expenses	265,532	306,339	288,676	321,197	312,818	201,305	237,461
Operating Income	745,386	676,397	358,962	376,045	389,354	253,372	195,566
Income Allocable to Members Before Extraordinary Item	676,898	558,708	305,777	297,447	250,383	171,924	128,809
Net Income Allocable to Members	676,898	558,708	305,777	297,447	250,383	171,924	134,316(f)
Lazard Group Pro Forma Consolidated Statement of Income Data							
Net Revenue:							
Financial Advisory (b)					$ 690,967	$ 480,162	$ 406,126
Asset Management (c)					350,348	225,361	289,956
Corporate							
Net Revenue (g)							
Operating Income (h)							
Net Income (i)							
Lazard Ltd Consolidated Pro Forma Consolidated Statement of Income Data							
Net Revenue:							
Financial Advisory (b)					$ 690,967	$ 480,162	$ 406,126
Asset Management (c)					350,348	225,361	289,956
Corporate							
Net Revenue (g)							
Operating Income (h)							
Net Income (Before LAZ-MD Holdings Minority Interest) (j)							
Net Income (After LAZ-MD Holdings Minority Interest) (k)							
Pro Forma Diluted Net Income Per Share, as Adjusted for this Offering (l)							
Pro Forma Diluted Weighted Average Common Shares, as Adjusted for this Offering (l)							
Other Lazard Group Historical Data							
Dollar Value of Mergers and Acquisitions (M&A) Deals Completed (in millions) (m)	$ 171,311	$ 383,061	$ 154,848	$ 86,512	$ 187,426	$ 156,280	$ 167,399

Number of M&A Deals Completed Greater than $1 Billion (n)	19	47	29	21	28	22	24
Assets Under Management (in millions):							
Ending	$ 82,440	$ 79,510	$ 73,108	$ 63,685	$ 78,371	$ 67,838	$ 78,494
Average (o)	76,567	81,147	75,705	69,791	66,321	63,309	78,711
Managing Director Headcount (as of the end of each period):							
Financial Advisory	85	100	88	103	118	118	130
Asset Management	14	15	19	19	24	24	35
Corporate	8	8	8	8	8	8	9
Capital Markets and Other	22	24	30	30	32	32	32
Total	129	147	145	160	182	182	206

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Recent Developments

During the fourth quarter of 2004, we have experienced an increased rate of revenue growth in comparison to revenue growth during the first nine months of 2004, such that we estimate that full year 2004 Mergers and Acquisitions net revenue will be up approximately 13% from 2003. This reflects an improvement relative to the increase of 9% for the nine months ended September 30, 2004 over the comparable period in 2003. In addition, we believe that the level of our business activity has increased as evidenced by our involvement in several prominent recently announced transactions, including our representation of Telecom Italia Mobile in its pending €21 billion sale of the remaining public interests to Telecom Italia, Mitsubishi Tokyo Financial Group in its pending merger with UFJ Holdings and Nextel Communications in its pending $70 billion merger-of-equals with Sprint Corporation. We also recently announced our entry into strategic alliances with prominent, locally-based advisory firms in Brazil and Argentina, which we believe will better position us to take advantage of merger and acquisition opportunities in those countries.

In our Asset Management business, our current AUM have risen to over $82 billion, from $78.5 billion as of September 30, 2004, reflecting recent market appreciation. This growth contributes to our expectation of approximately 22% period-over-period management fee revenue growth for 2004. For the full year 2004, the significant year-over-year growth that we expect to realize in Asset Management net revenue will have been achieved without realizing a significant amount of performance-based incentive fees from our alternative investments area, a business that we have been making recent efforts to expand in order to capitalize on its potential.

RISK FACTORS

You should carefully consider the following risks and all of the other information set forth in this prospectus, including our consolidated financial statements and related notes, before deciding to purchase shares of our common stock offered hereby. The risk factors set forth below primarily relate to the business of Lazard Group. These risks also affect Lazard because, after the completion of this offering, Lazard will have no material assets other than direct and indirect ownership of approximately % of the common membership interests in Lazard Group and its controlling interest in Lazard Group. The following risks comprise material risks of which we are aware; however, these risks and uncertainties may not be the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of the events or developments described below actually occurred, our business, financial condition or results of operations would likely suffer. In that case, the trading price of our common stock would likely decline, and you could lose part or all of your investment in our common stock.

Risks Related to Our Business

Our ability to retain our managing directors and other key professional employees is critical to the success of our business, including maintaining compensation levels at an appropriate level of costs.

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

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

Difficult market conditions can adversely affect our business in many ways.

As a financial services firm, our businesses are materially affected by conditions in the global financial markets and economic conditions throughout the world. For example, revenue generated by our Financial Advisory business is directly related to the volume and value of the transactions in which we are involved. During periods of unfavorable market or economic conditions, the volume and value of mergers and acquisitions transactions may decrease, thereby reducing the demand for our Financial Advisory services and increasing price competition among financial services companies seeking such engagements. Our results of operations would be adversely affected by any such reduction in the

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volume or value of mergers and acquisitions transactions. In addition, our profitability would be adversely affected by our fixed costs and the possibility that we would be unable to scale back other costs within a time frame sufficient to match any decreases in revenue relating to changes in market and economic conditions. The future market and economic climate may deteriorate because of many factors, including rising interest rates or inflation, terrorism or political uncertainty.

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

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

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

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

A majority of our revenue is derived from Financial Advisory fees.

We historically have earned a substantial portion of our revenue from advisory fees paid to us by our Financial Advisory clients, which fees usually are payable upon the successful completion of a particular transaction or restructuring. In 2003, Financial Advisory services accounted for 66% of our net revenue from continuing operations. We expect that we will continue to rely on Financial Advisory fees for a substantial portion of our revenue for the foreseeable future, and a decline in our advisory engagements or the market for advisory services would adversely affect our business, financial condition and results of operations.

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

There will not be a consistent pattern in our financial results from period to period.

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

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

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

We provide various financial restructuring and restructuring-related advice to companies in financial distress or to their creditors or other stakeholders. During 2002 and 2003, we generated a significant part of our Financial Advisory revenue from fees from financial restructuring-related services. A number of factors affect demand for these advisory services, including general economic conditions, the availability and cost of debt and equity financing and changes to laws, rules and regulations, including deregulation or privatization of particular industries and those that protect creditors.

For example, some of our competitors are supporting Congressional bills to change the requirement of Section 327 of the U.S. Bankruptcy Code requiring that one be a disinterested person to be employed in a restructuring. While the disinterested person definition of the U.S. Bankruptcy Code, as currently in effect, disqualifies certain of our competitors, it historically has not often disqualified us from obtaining a role in a restructuring because we have not been a significant

underwriter of securities. If the disinterested person definition were changed to allow for more financial services firms to compete for restructuring engagements, our Financial Restructuring practice, and thereby our results of operations, could be materially adversely affected.

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

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

- existing clients might withdraw funds from our Asset Management business in favor of better performing products, which would result in lower investment advisory fees,

- our incentive fees, which provide us with a set percentage of returns on some alternative investment and merchant banking funds and other accounts, would decline,

- third-party financial intermediaries, advisors or consultants may rate our products poorly, which may result in client withdrawals and reduced asset flows from these third parties or their clients, or

- firms with which we have strategic alliances may terminate such relationships with us, and future strategic alliances may be unavailable.

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

Our investment style in our Asset Management business may underperform other investment approaches.

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

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

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

In addition, in the U.S., as required by the U.S. Investment Company Act of 1940, as amended, or the Investment Company Act, and the Investment Advisers Act of 1940, each of our investment advisory contracts automatically terminates upon its assignment. A sale of a sufficient number of shares of our voting securities could be deemed an assignment in certain circumstances. An assignment, actual or constructive, will trigger these termination provisions and could adversely affect our ability to continue managing client accounts.

Access to clients through intermediaries is important to our Asset Management business.

Our ability to market our Asset Management services relies in part on receiving mandates from the client base of national and regional securities firms, banks, insurance companies, defined contribution plan administrators, investment consultants and other intermediaries. To an increasing extent, our Asset Management business uses referrals from accountants, lawyers, financial planners and other professional advisors. Although we historically have been successful in gaining access to these channels, we cannot be certain that this will continue. The inability to have this access could materially adversely affect our Asset Management business. In addition, many of these intermediaries review and evaluate our products and our organization. Poor reviews or evaluations of either the particular product or of us may result in client withdrawals or an inability to attract new assets through such intermediaries.

Our merchant banking activities involve increased levels of investments in relatively high-risk, illiquid assets.

We intend to expand our participation in merchant banking activities through investments in new and successor funds, and we may exercise our option under the business alliance agreement between Lazard Group and LFCM Holdings to acquire certain merchant banking investment management vehicles and related principal investments from LFCM Holdings.

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

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

raise all the funds needed to make an investment and then to realize the cash value of an investment through resale. Even if a merchant banking investment proves to be profitable, it may be several years or longer before any profits can be realized in cash or other proceeds.

We face strong competition from financial services firms.

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

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

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

After completion of this offering and the additional financing transactions, Lazard Group and its subsidiaries expect to have approximately $ million in debt outstanding. In general, we expect that this debt will have certain mandated payment obligations, which may constrain our ability to operate our business or to pay dividends. In addition, in the future we may need to incur debt or issue equity in order to fund our working capital requirements or refinance existing indebtedness, as well as to make acquisitions and other investments. The amount of our debt obligations may impair our ability to raise debt or issue equity for financing purposes. Our access to funds also may be impaired if regulatory authorities take significant action against us, or if we discover that any of our employees had engaged in serious unauthorized or illegal activity. In addition, our borrowing costs and our access to the debt capital markets depend significantly on our credit ratings. These ratings are assigned by rating agencies, which may reduce or withdraw their ratings or place us on credit watch with negative implications at any time. We cannot assure you that the rating agencies will not reduce our credit ratings at some time in the future. See Management s Discussion and Analysis of Financial Condition and Results of Operations.

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

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

Employee misconduct could harm us and is difficult to detect and deter.

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

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

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

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

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

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

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

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

The financial services industry is subject to extensive regulation. We are subject to regulation by governmental and self-regulatory organizations in the jurisdictions in which we operate around the world. Many of these regulators, including U.S. and non-U.S. government agencies and self-regulatory organizations, as well as state securities commissions in the U.S., are empowered to conduct administrative proceedings that can result in censure, fine, the issuance of cease-and-desist orders or the suspension or expulsion of a broker-dealer. The requirements imposed by our regulators are designed to ensure the integrity of the financial markets and to protect customers and other third parties who deal with us and are not designed to protect our stockholders. Consequently, these regulations often serve to limit our activities, including through net capital, customer protection and market conduct requirements.

We face the risk of significant intervention by regulatory authorities, including extended investigation and surveillance activity, adoption of costly or restrictive new regulations and judicial or administrative proceedings that may result in substantial penalties. Among other things, we could be fined or be prohibited from engaging in some of our business activities. In addition, the regulatory environment in which we operate is subject to modifications and further regulation. New laws or regulations or changes in the enforcement of existing laws or regulations applicable to us and our clients also may adversely affect our business, and our ability to function in this environment will depend on our ability to constantly monitor and react to these changes. For example, the European Union Financial Conglomerates Directive will require that we, along with a number of our competitors, will be subject to consolidated supervision, beginning on January 1, 2005. As a result, we may be required to increase our regulatory capital, and this requirement may adversely affect our profitability and result in other increased costs. In addition, the regulatory environment in which our clients operate may impact our business. For example, changes in antitrust laws or the enforcement of antitrust laws could affect the level of mergers and acquisitions activity and changes in state laws may limit investment activities of state pension plans. See Business Regulation for a further discussion of the regulatory environment in which we conduct our businesses.

In particular, for asset management businesses in general, there have been a number of highly publicized regulatory inquiries that focus on the mutual funds industry. These inquiries already have resulted in increased scrutiny in the industry and new rules and regulations for mutual funds and their

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investment managers. This regulatory scrutiny and rulemaking initiatives may result in an increase in operational and compliance costs or the assessment of significant fines or penalties against our Asset Management business, and may otherwise limit our ability to engage in certain activities.

In addition, financial services firms are subject to numerous conflicts of interests or perceived conflicts. We have adopted various policies, controls and procedures to address or limit actual or perceived conflicts and regularly seek to review and update our policies, controls and procedures. However, these policies and procedures may result in increased costs, additional operational personnel and increased regulatory risk. We cannot assure you that our policies will be adhered to by our employees. Failure to adhere to these policies and procedures may result in regulatory sanctions or client litigation.

Specific regulatory changes also may have a direct impact on the revenue of our Asset Management business. In addition to regulatory scrutiny and potential fines and sanctions, regulators continue to examine different aspects of the asset management industry. For example, the use of soft dollars, where a portion of commissions paid to broker-dealers in connection with the execution of trades also pays for research and other services provided to advisors, may in the future be limited or prohibited. If this occurs, we may have to bear the costs of research services that were previously paid for using soft dollars. In addition, new regulation regarding the annual approval process for mutual fund advisory agreements may result in the reduction of fees or possible terminations of these agreements. Other proposed rules that are currently under consideration include potential limitations on investment activities in which an advisor may engage, such as hedge funds and mutual funds, increased disclosure of advisor and fund activities and changes in compensation for mutual fund sales. These regulatory changes and other proposed or potential changes may result in a reduction of revenue associated with these activities.

We are exposed to foreign currency exchange rate risks.

We are exposed to fluctuations in foreign currencies. Our financial statements are denominated in U.S. dollars, but we receive a substantial portion of our revenue and pay a significant amount of expenses in other currencies, predominantly in euros and in British pounds, which may affect our net income. We do not generally hedge such non-dollar foreign exchange rate exposure arising in our subsidiaries outside of the U.S. Fluctuations in foreign currencies may also make period to period comparisons of our results of operations difficult.

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

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

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

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

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

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

Our estimated effective tax rate of % is based upon the application of currently applicable income tax laws, regulations and treaties and current judicial and administrative authorities interpreting those income tax laws, regulations and treaties and upon our non-U.S. subsidiaries ability to qualify for benefits under those treaties. We cannot be certain that the IRS will not challenge our application of those laws, regulations and treaties, and that a court will not sustain such challenge. Moreover, those income tax laws, regulations and treaties, and the administrative and judicial authorities interpreting them, are subject to change at any time, and any such change may be retroactive.

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

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

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

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

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

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

Risks Related to the Separation

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

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

The LAZ-MD Holdings exchangeable interests will be subject to restrictions on transfer and the timing of exchange. Most of these restrictions on the timing of exchange will survive for only a limited period and will permit our managing directors to leave Lazard without losing any of their LAZ-MD Holdings exchangeable interests or underlying shares of common stock. In addition, we have agreed that working members, including our non-LAM managing directors, who had capital interests at Lazard Group that are exchanged in the separation for capital interests in LAZ-MD Holdings will have those LAZ-MD Holdings capital interests redeemed in four equal installments on each of the first four anniversaries of this offering. We expect that, after the separation, our managing directors will hold approximately $ million of the LAZ-MD Holdings redeemable capital interests. For a description of the terms of these exchangeable interests, see Management Arrangements with Our Managing Directors The Retention Agreements. Consequently, the steps we have taken to encourage the continued service of these individuals after this offering may not be effective.

In addition, after this offering, our managing directors will generally receive less income than they otherwise would have received prior to this offering, and such reduction (or the perception that a reduction will occur) could make it more difficult to retain them. While we believe this offering should promote retention and recruitment, some managing directors and other employees may be more attracted to the benefits of working at a private, controlled partnership and the prospects of becoming a partner. The impact of the separation on our managing director and other employee retention and recruitment is uncertain. For a description of the compensation plan for our senior professionals to be implemented after this offering, see Management.

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

Upon the completion of this offering, LAZ-MD Holdings will hold our Class B common stock. Pursuant to the LAZ-MD Holdings stockholders agreement, the members of LAZ-MD Holdings will individually be entitled to direct LAZ-MD Holdings how to vote their proportionate interest in our Class B common stock on an as-if-exchanged basis. The voting power associated with the Class B common stock is intended to mirror the working members indirect economic interest in Lazard Group. After this offering, through the LAZ-MD Holdings stockholders agreement, the working members will be effectively able to exercise control over all matters requiring stockholder approval, including the

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election of all directors and approval of significant corporate transactions, and other matters impacting the working members. This voting power may have the effect of delaying or preventing a change in control of Lazard. See We may have potential conflicts of interest with LAZ-MD Holdings and LFCM Holdings with respect to our past and ongoing relationships that could harm our business operations, The Separation and Recapitalization Transactions and the Lazard Organizational Structure, Management, Principal Stockholders, Certain Relationships and Related Transactions and Description of Capital Stock.

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

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

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

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

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

In preparing the pro forma financial information in this prospectus, we have made adjustments to the historical financial information of Lazard Group based upon currently available information and upon assumptions that our management believes are reasonable in order to reflect, on a pro forma

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

Our financial performance depends on our ability to achieve our target compensation expense.

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

Following the completion of this offering, we intend to reduce our payments to managing directors, so as to operate at our target level of employee compensation and benefits expense. We cannot assure you, however, that these or other measures will allow us to reach or maintain our target ratio of compensation expense-to-operating revenue in the future. Increased competition for senior professionals, changes in the financial markets generally or other factors could prevent us from reaching this objective. Failure to achieve this target ratio would result in an increase in our compensation expense relative to our revenue that may materially adversely affect our results of operations. For more information on our compensation and benefits expense, see Unaudited Pro Forma Financial Information.

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

Since the unification of the Houses of Lazard in 2000, Lazard Group has experienced a succession of transformative events, including the hiring of Mr. Wasserstein, the retention of new senior management and the hiring or promotion of a large number of new managing directors, as well as this offering and the separation and recapitalization transactions. Lazard Group s efforts to transform our businesses are expected to continue following the completion of this offering. The continued evolution of Lazard Group may have resulted, and in the future may result, in disruption to the regular operations of our business, including our ability to attract and complete current and future engagement opportunities with clients, increased difficulty in retaining senior professionals and managing and growing our businesses, the occurrence of any of which could materially adversely affect our business, financial condition and results of operations.

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

The master separation agreement that we intend to enter into with Lazard Group, LAZ-MD Holdings and LFCM Holdings will provide, among other things, that LFCM Holdings generally will indemnify us, Lazard Group and LAZ-MD Holdings for losses that we incur to the extent arising out of,

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

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

We will have potential conflicts of interest with LAZ-MD Holdings and LFCM Holdings.

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

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

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

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

Pursuant to the LAZ-MD Holdings stockholders agreement, LAZ-MD Holdings will vote the single share of Class B common stock, which immediately following this offering will represent approximately % of our voting power, as directed by its individual members, all of whom are working members, including managing directors of our business. These same persons will own and control LFCM Holdings, which will hold the separated businesses. In addition, our President will be the Chairman of LFCM Holdings. Conflicts of interest may arise between LFCM Holdings and us in a number of areas relating to our past and ongoing relationships, including:

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

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

The use of the Lazard brand name by subsidiaries of LFCM Holdings may expose us to reputational harm.

The Lazard brand name has over 150 years of heritage, connoting, we believe, world-class professional advice, independence and global capabilities with deeply rooted, local know-how. After the separation, LFCM Holdings will operate as a separate legal entity, and Lazard Group will license to subsidiaries of LFCM Holdings that operate the separated businesses the use of the Lazard brand name for certain specified purposes, including in connection with merchant banking fund management and capital markets activities. As these subsidiaries of LFCM Holdings will use the Lazard brand name, there is a risk of reputational harm to us if they were to damage the reputation of the Lazard brand name. This risk could expose us to liability and also may adversely affect our revenue and our business prospects.

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

Prior to and in connection with this offering, historical partner interests and preferred interests generally will be redeemed for cash. In addition, LAZ-MD Holdings exchangeable interests may, in effect, be exchanged in the future for shares of our common stock. The redemption and the exchanges will result in increases in the tax basis of the tangible and intangible assets of Lazard Group attributable to our interest in Lazard Group that otherwise would not have been available to us. We expect that these increases in tax basis will reduce the amount of tax that we might otherwise be required to pay in the future. We intend to enter into a tax receivable agreement with LAZ-MD Holdings that will provide for the payment by us to LAZ-MD Holdings or its assignee of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that we actually realize as a result of these increases in tax basis and of certain other tax benefits related to our entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivables agreement. We expect to benefit from the remaining 15% of cash savings, if any, in income or franchise tax that we realize. We will have the right to terminate the tax receivable agreement at any time for an amount based on an agreed value of certain payments remaining to be made under the tax receivable agreement at such time. While the actual amount and timing of any payments under this agreement will vary depending upon a number of factors, including the timing of exchanges and the amount and timing of our income, we expect that, as a result of the size of the increases in the tax basis of the tangible and intangible assets of Lazard Group attributable to our interest in Lazard Group, during the 15-year amortization periods for most of these increases in tax basis, the payments that we may make to LAZ-MD Holdings or its assignee could be substantial. See The Separation and Recapitalization Transactions and the Lazard Organizational Structure The Separation and Recapitalization Transactions The Recapitalization of LAZ-MD Holdings and Lazard Group The Redemption of the Historical Partners Interests, and Certain Relationships and Related Transactions Relationship with LAZ-MD Holdings and LFCM Holdings Master Separation Agreement LAZ-MD Holdings Exchangeable Interests.

The separation and recapitalization transactions may be challenged by creditors as a fraudulent transfer or conveyance.

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

any of the separation and recapitalization transactions (or any related transactions) were undertaken for the purpose of hindering, delaying or defrauding creditors of Lazard Group, Lazard Ltd, LAZ-MD Holdings or LFCM Holdings (as applicable), or

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

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

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

the sum of its liabilities, including contingent liabilities, is greater than its assets, at a fair valuation,

the present fair saleable value of its assets is less than the amount required to pay the probable liability on its total existing debts and liabilities, including contingent liabilities, as they become absolute and matured, or

it is generally not paying its debts as they become due.

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

Investment Company Act considerations.

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

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

Risks Related to the Offering

There has not previously been a public market for our securities.

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

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

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

You will experience immediate and substantial dilution in the book value of your common stock.

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

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

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

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

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

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

See Shares Eligible for Future Sale.

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

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

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

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

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

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

We are organized under the laws of Bermuda, and a significant portion of our assets are located outside the U.S. It may not be possible to enforce court judgments obtained in the U.S. against us in Bermuda, or in countries other than the U.S. where we have assets, based on the civil liability provisions of the federal or state securities laws of the U.S. In addition, there is some doubt as to whether the courts of Bermuda and other countries would recognize or enforce judgments of U.S. courts obtained against us or our directors or officers based on the civil liabilities provisions of the federal or state securities laws of the U.S. or would hear actions against us or those persons based on those laws. We have been advised by our legal advisors in Bermuda that the U.S. and Bermuda do not currently have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in the U.S. based on civil liability, whether or not based solely on U.S. federal or state securities laws, would not automatically be enforceable in Bermuda. Similarly, those judgments may not be enforceable in countries other than the U.S. where we have assets.

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

Our stockholders may have more difficulty protecting their interests than would stockholders of a corporation incorporated in a jurisdiction of the U.S. As a Bermuda company, we are governed by the Companies Act 1981, as amended, which we refer to as the Companies Act. The Companies Act differs in some material respects from laws generally applicable to U.S. corporations and stockholders, including the provisions relating to interested directors, mergers, amalgamations and acquisitions, takeovers, stockholder lawsuits and indemnification of directors. See Description of Capital Stock.

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

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

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We have made statements under the captions Prospectus Summary, Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations and Business and in other sections of this prospectus that are forward-looking statements. In some cases, you can identify these statements by forward-looking words such as may, might, will, should, expect, plan, anticipate, believe, estimate, predict, potential or continue, and the negative of these terms and other comparable terminology. These forward-looking statements, which are subject to known and unknown risks, uncertainties and assumptions about us, may include projections of our future financial performance based on our growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements. In particular, you should consider the numerous risks and uncertainties outlined in Risk Factors.

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

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

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

- our business possible or assumed future results of operations and operating cash flows,
- our business strategies and investment policies,
- our business financing plans and the availability of short-term borrowing,
- our business competitive position,
- potential growth opportunities available to our business,
- the recruitment and retention of our managing directors and employees,
- our expected levels of compensation,

our business potential operating performance, achievements, productivity improvements, efficiency and cost reduction efforts,

the likelihood of success and impact of litigation,

our expected tax rate,

changes in interest and tax rates,

our expectation with respect to the economy, securities markets, the market for mergers and acquisitions activity, the market for asset management activity and other industry trends,

the benefits to our business resulting from the effects of the separation and recapitalization transactions, including this offering and the additional financing transactions,

the effects of competition on our business, and

the impact of future legislation and regulation on our business.

THE SEPARATION AND RECAPITALIZATION TRANSACTIONS AND

THE LAZARD ORGANIZATIONAL STRUCTURE

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

Because one of the primary purposes of this offering, the additional financing transactions and the proposed restructuring of Lazard s operations is to facilitate the redemption of the interests of the historical partners, the representatives of the historical partners on the Lazard Group board of directors do not intend to and will not take any action with respect to these matters. Accordingly, we expect to obtain Lazard Group board approval of these matters on the closing date of this offering after representatives of the historical partners on the Lazard Group board of directors have resigned from the board of directors. The completion of this offering will not occur unless a Lazard Group board approval is obtained. We expect that the directors of Lazard Group that are not resigning will agree, subject to their fiduciary duties, to support and approve the separation and recapitalization transactions, including this offering, prior to or simultaneously with the execution of the underwriting agreement relating to this offering. The final determination as to the completion, timing, structure and terms of these transactions and this offering will be based on financial and business considerations and prevailing market conditions. Pursuant to the master separation agreement that we intend to enter into regarding the separation and recapitalization transactions, Lazard Group has the sole discretion to determine whether or not to complete these transactions and this offering and, if it decides to complete these transactions, the timing of this offering.

The Separation and Recapitalization Transactions

The Separation

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

- all of Lazard Group s capital markets business, comprised of its equity, fixed income and convertibles sales and trading, broking, research and underwriting services,

- Lazard Group s merchant banking fund management activities other than its existing merchant banking business in France, and

- specified non-operating assets and liabilities.

This separation will be effected by, among other things, forming LAZ-MD Holdings as the new holding company for Lazard Group, placing the separated businesses into LFCM Holdings and distributing all of the interests in LFCM Holdings to LAZ-MD Holdings. Lazard Group will retain all of our businesses, consisting primarily of our Financial Advisory and Asset Management businesses. Immediately after the separation, all of the persons who were members of Lazard Group prior to the formation will be members of LAZ-MD Holdings and will cease to hold any membership interests in Lazard Group, all of which will be held by LAZ-MD Holdings.

After the recapitalization is completed, LAZ-MD Holdings will then distribute all of the LFCM Holdings interests to its members, such that after this distribution, LFCM Holdings will be wholly-owned by the working members, including our managing directors who are members of LAZ-MD Holdings.

The Recapitalization of LAZ-MD Holdings and Lazard Group

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

This Offering and the Additional Financing Transactions

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

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

The Redemption of the Historical Partners Interests

Lazard Group currently has three general classes of membership interests:

- the working member interests, which are owned by working members and consist of capital and the right to participate in profit and goodwill of Lazard Group,

- the historical partner interests, which are owned by the historical partners and consist of capital and the right to participate in profit and goodwill of Lazard Group, and

- the mandatorily redeemable preferred interests, which are owned by certain of the historical partners and consist of the right to a preferred dividend of 8% per annum and a fixed liquidation amount.

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

The historical partner interests generally are entitled to approximately 36.1% of the profits and 44.4% of the goodwill, with the working member interests entitled to the remaining profit and goodwill. The historical partner interests are entitled to approximately

$585 million of capital. The preferred interests have an aggregate liquidation amount of approximately $100 million.

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

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

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

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

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

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

Issuance of LAZ-MD Holdings Interests

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

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

In addition, working members who had capital underlying their working member interests at Lazard Group prior to the separation will hold equivalent amounts of capital interests at LAZ-MD Holdings. Pursuant to the terms of the retention agreements with our managing directors and the managing directors of LFCM Holdings, LAZ-MD Holdings has agreed to redeem all of these capital interests in four equal installments on each of the first four anniversaries of this offering. The redemption of these capital interests will be funded by cash available to LAZ-MD Holdings, which may include a portion of the net proceeds of this offering and the additional financing transactions and from distributions to LAZ-MD Holdings in respect of its Lazard Group common membership interests.

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

Lazard Ownership Structure after the Separation and Recapitalization Transactions

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

Immediately after this offering, LAZ-MD Holdings will hold the Class B common stock, representing approximately % of the voting power of our company. Pursuant to the LAZ-MD Holdings stockholders agreement, LAZ-MD Holdings will agree to vote its Class B common stock on any matter involving the vote or consent of our stockholders in accordance with the instructions of its members, with each member that is party to the agreement entitled to instruct LAZ-MD Holdings how to vote the portion of the Class B common stock s voting power that is associated with his or her then-outstanding LAZ-MD Holdings exchangeable interests on an as-if-exchanged basis. For example, if a working member s LAZ-MD Holdings exchangeable interests were exchangeable for 1,000 shares of our common stock, that working member would be able to instruct LAZ-MD Holdings how to vote 1,000 of the votes represented by the Class B common stock. As a result, the working members, together with LAZ-MD Holdings, will be able to initially control the election of Lazard Ltd s directors. For a further discussion, see Certain Relationships and Related Transactions LAZ-MD Holdings Stockholders Agreement.

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

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

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

The graphic below illustrates the expected ownership structure of Lazard Ltd and Lazard Group after completion of the separation and recapitalization transactions. It does not reflect the various

minority interests of, or subsidiaries held by, Lazard Group and LAZ-MD Holdings, the exercise of the underwriters over-allotment option or the results of any exchange of Lazard Group common membership interests for our common stock. As a result, the LAM equity units granted by LAM to its managing directors and employees are not reflected. In addition, it does not include the separated businesses, which will be separated from Lazard Group in the separation. After the completion of the separation, LFCM Holdings will be wholly-owned by the working members, including our managing directors.

Expected Ownership Structure Immediately After Completion

of the Separation and Recapitalization Transactions

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

Lazard Group common membership interests issued to LAZ-MD Holdings will be effectively exchangeable from time to time after this offering for shares of our common stock on a one-for-one basis pursuant to an exchange of the LAZ-MD Holdings exchangeable interests for shares of our common stock. As these exchanges for shares of our common stock are effected, the voting power of LAZ-MD Holdings Class B common stock will be reduced on a proportionate basis so as to maintain LAZ-MD Holdings voting power in Lazard Ltd at the level of its interest in Lazard Group common membership interests. Assuming full exchange of the Lazard Group common membership interests that LAZ-MD Holdings holds immediately after the closing of this offering, all of our outstanding common stock would be held by persons who acquire such shares in this offering and our working members. LAZ-MD Holdings and we have the right to cause the holders of LAZ-MD Holdings exchangeable interests, and holders of Lazard Group common membership interests formerly held by LAZ-MD Holdings, to exchange all such remaining interests during the 30-day period following the ninth anniversary of this offering.

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

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

Expected Ownership Structure After Full Exchange

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

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

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

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

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

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

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

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

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

USE OF PROCEEDS

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

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

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

DIVIDEND POLICY

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

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

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

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

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

DILUTION

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

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

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

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

CAPITALIZATION

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

the historical actual consolidated capitalization of Lazard Group,

the pro forma consolidated capitalization of Lazard Group prior to this offering, the additional financing transactions and the recapitalization, but after giving effect to the separation, the reclassification to accrued compensation of amounts due for services rendered by managing directors and employee members of LAM and other managing directors from minority interests and members equity, respectively,

the pro forma consolidated capitalization of Lazard Group, as adjusted, after giving effect to this offering (at an estimated initial public offering price of $ per share (the midpoint of the range of initial public offering prices set forth on the cover page of this prospectus)), the additional financing transactions and the recapitalization, after deducting underwriting discounts and commissions and estimated expenses payable in connection with this offering, and the additional financing transactions and after giving effect to the separation, the reclassification to accrued compensation of amounts due for services rendered by managing directors and employee members of LAM and other managing directors from minority interests and members equity, respectively, and

the pro forma consolidated capitalization of Lazard, as adjusted, to reflect the transactions referred to above, including the minority interest attributable to LAZ-MD Holdings ownership of Lazard Group s common membership units.

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

	As of September 30, 2004			
	Lazard Group			Lazard
	Historical	Pro Forma	Pro Forma, as Adjusted	Pro Forma, as Adjusted
	($ in thousands)			
Cash and cash equivalents	$ 283,776	$ 196,325	$	$
Notes payable	$ 62,431	$ 60,879	$	$
Capital lease obligations	50,567	50,567		
Additional financings				
Subordinated loans	200,000	200,000		
Mandatorily redeemable preferred stock	100,000	100,000		
Minority interest	146,223	98,067		
Members equity (deficit)	346,623	(70,180)		
Stockholders equity:				
Common stock, $0.01 par value per share, shares authorized, shares issued and outstanding on a pro forma basis as adjusted for this offering				

Additional paid-in capital				
Accumulated deficit				
Total minority interest, members equity and stockholders equity	492,846	27,887		
Total capitalization	$ 905,844	$ 439,333		$

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SELECTED CONSOLIDATED FINANCIAL DATA

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

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

The separation, which is described in more detail in The Separation and Recapitalization Transactions and the Lazard Organizational Structure and Management s Discussion and Analysis of Financial Condition and Results of Operations.

Payment for services rendered by Lazard Group s managing directors, which, as a result of Lazard Group operating as a limited liability company, historically has been accounted for as distributions from members capital, or in some cases as minority interest, rather than as compensation and benefits expense. As a result, Lazard Group s operating income historically has not reflected payments for services rendered by its managing directors. After this offering, we will include all payments for services rendered by our managing directors to us in compensation and benefits expense.

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

Minority interest expense reflecting LAZ-MD Holdings ownership of approximately % of the Lazard Group common membership interests outstanding immediately after this offering and the separation and recapitalization transactions.

The use of proceeds from this offering and the additional financing transactions.

The incremental expense related to the additional financing transactions.

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

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

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

Selected Consolidated Financial Data

	As of or for the Year Ended December 31,					As of or for the Nine Months Ended September 30,	
	1999(a)	2000	2001	2002	2003	2003	2004
	($ in thousands, except for per share data)						
Lazard Group Historical Financial Data							
Consolidated Statement of Income Data							
Net Revenue:							
Financial Advisory (b)	$ 662,555	$ 766,856	$ 551,356	$ 532,896	$ 690,967	$ 480,162	$ 406,126
Asset Management (c)	385,529	457,124	410,237	454,683	350,348	225,361	289,956
Corporate (d)	71,352	34,432	(14,392)	(4,768)	6,500	(6,073)	4,734
Capital Markets and Other (g)	365,985	294,388	224,854	183,468	135,569	106,619	134,112
Net Revenue (e)	1,485,421	1,552,800	1,172,055	1,166,279	1,183,384	806,069	834,928
Employee Compensation and Benefits	474,503	570,064	524,417	469,037	481,212	351,392	401,901
Other Operating Expenses	265,532	306,339	288,676	321,197	312,818	201,305	237,461
Operating Income	745,386	676,397	358,962	376,045	389,354	253,372	195,566
Income Allocable to Members Before Extraordinary Item	676,898	558,708	305,777	297,447	250,383	171,924	128,809
Net Income Allocable to Members	676,898	558,708	305,777	297,447	250,383	171,924	134,316(f)
Consolidated Statement of Financial Condition Data							
Total Assets	$ 13,539,897	$ 16,123,794	$ 3,569,362(g)	$ 2,460,725	$ 3,257,229	$ 2,987,621	$ 3,447,576
Total Debt (h)	$ 53,175	$ 85,246	$ 134,048	$ 144,134	$ 320,078	$ 318,002	$ 312,998
Mandatorily Redeemable Preferred Stock			$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000
Members Equity	$ 1,114,145	$ 888,782	$ 704,697	$ 648,911	$ 535,725	$ 455,468	$ 346,623
Lazard Group Pro Forma Financial Data, as Adjusted							
Consolidated Statement of Income Data							
Net Revenue:							
Financial Advisory (b)					$ 690,967	$ 480,162	$ 406,126
Asset Management (c)					350,348	225,361	289,956
Corporate							
Net Revenue (i)							
Operating Income (j)							
Net Income (k)							
Consolidated Statement of Financial Condition Data							
Total Assets (l)							$
Total Debt (m)							$
Members Equity (Deficiency) (n)							$
Lazard Consolidated Pro Forma Financial Data, as Adjusted							
Consolidated Statement of Income Data							
Net Revenue:							
Financial Advisory (b)					$ 690,967	$ 480,162	$ 406,126
Asset Management (c)					350,348	225,361	289,956
Corporate							
Net Revenue (i)							
Operating Income (j)							
Net Income (Before LAZ-MD Holdings Minority Interest) (o)							
Net Income (After LAZ-MD Holdings Minority Interest) (p)							

Pro Forma Basic Net Income Per Share, as Adjusted for This Offering (q)	
Pro Forma Diluted Net Income Per Share, as Adjusted for This Offering (q)	
Pro Forma Basic Weighted Average Common Shares, as Adjusted for This Offering (q)	
Pro Forma Diluted Weighted Average Common Shares, as Adjusted for This Offering (q)	
Consolidated Statement of Financial Condition Data	
Total Assets (r)	$
Total Debt (s)	$
Stockholders Equity (Deficiency) (t)	$

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

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

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

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

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

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

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

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

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

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

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

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

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

(k)

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

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

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

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

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

(p) Represents Lazard s consolidated net income as described in note (o) above, shown after minority interest expense, which will be recorded to reflect LAZ-MD Holdings ownership of Lazard Group common membership interests, and an adjustment to income taxes based on an estimated effective tax rate. See Risk Factors Risks Related to Our Business In the event of a change or adverse interpretation of relevant income tax law, regulation or treaty, or a failure to qualify for treaty benefits, our overall tax rate may be substantially higher than the rate used for purposes of our pro forma financial statements.

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

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

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

(t) Represents consolidated stockholders equity (deficiency) of Lazard after giving effect to the separation, the recapitalization, including the additional financing transactions and this offering and the purchase of Lazard Group common membership interests it will hold.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

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

The separation, which is described in more detail in The Separation and Recapitalization Transactions and the Lazard Organizational Structure and Management s Discussion and Analysis of Financial Condition and Results of Operations.

Payment for services rendered by Lazard Group s managing directors, which, as a result of Lazard Group operating as a limited liability company, historically has been accounted for as distributions from members capital, or in some cases as minority interest, rather than as compensation and benefits expense. As a result, Lazard Group s operating income historically has not reflected payments for services rendered by its managing directors. After this offering, we will include all payments for services rendered by our managing directors in compensation and benefits expense.

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

Minority interest expense reflecting LAZ-MD Holdings ownership of approximately % of the Lazard Group common membership interests outstanding immediately after this offering and the separation and recapitalization transactions.

The use of proceeds from this offering and the additional financing transactions.

The incremental expense related to the additional financing transactions.

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

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

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME

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

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UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME

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

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME

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

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

(a) Reflects adjustments necessary to remove the historical results of operations of Lazard Group s separated businesses.
(b) Interest expense includes dividends relating to Lazard Group s mandatorily redeemable preferred stock issued in March 2001, which amounted to $8,000, $6,000 and $6,000 for the year ended December 31, 2003, the nine months ended September 30, 2003 and the nine months ended September 30, 2004, respectively.
(c) Historically, payments for services rendered by our managing directors have been accounted for as distributions from members capital, or as minority interest expense in the case of payments to LAM managing directors and certain key LAM employee members during 2003 and 2004, rather than as compensation and benefits expense. As a result, our compensation and benefits expense and net income allocable to members have not reflected most payments for services rendered by our managing directors. See Management s Discussion and Analysis of Financial Condition and Results of Operations Net Income Allocable to Members.

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

Following the completion of this offering, our policy will be that our total compensation and benefits expense, including that payable to our managing directors, will not exceed 57.5% of operating revenue each year (although we retain the ability to change this policy in the future). The new compensation policy we expect to adopt following the completion of this offering includes a fixed salary, benefits and bonuses, including an equity-based compensation component. We define operating revenue for these purposes as consolidated total revenue less (i) total revenue attributable to the separated businesses and (ii) interest expense related to LFB.

We cannot assure you, however, that these or other measures will allow us to reach or maintain our target compensation expense-to-operating revenue ratio in the future. Increased competition for senior professionals, changes in the financial markets generally or other factors could prevent us from reaching this objective.

(d) Reflects a net adjustment of $3,069, $4,142 and $2,065 for the year ended December 31, 2003, the nine months ended September 30, 2003 and the nine months ended September 30, 2004, respectively. The net adjustments include (i) tax expense of $4,589, $4,142 and $3,205 in the year ended December 31, 2003, the nine months ended September 30, 2003 and the nine months ended September 30, 2004, respectively, which reflects the application of the respective historical effective Lazard Group income tax rates against the applicable pro forma adjustments, and (ii) tax benefits of $1,520, $0 and $1,140 reclassified from LAM minority interest in the year ended December 31, 2003, the nine months ended September 30, 2003 and the nine months ended September 30, 2004, respectively.
(e) Reflects incremental interest expense related to the separation and recapitalization transactions, including the additional financing transactions and the estimated tax effect related thereto.
(f) Reflects an adjustment for Lazard Ltd s pro forma income taxes to include (i) consolidation of all Lazard Group taxes of $ for the year ended December 31, 2003, $ for the nine months ended September 30, 2003 and $ for the nine months ended September 30, 2004, plus (ii) entity-level taxes of $ for the year ended December 31, 2003, $ for the nine months ended September 30, 2003 and $ for the nine months ended September 30, 2004 that are payable by Lazard Ltd itself or its subsidiaries. Lazard Ltd s entity-level taxes are computed based on an estimated effective tax rate of % applicable to its pro rata share of Lazard Group s consolidated pro forma pre-tax income. Based on taxation of Lazard Group s consolidated pre-tax income at an estimated effective tax rate of %, % and % for the year ended December 31, 2003, nine months ended September 30, 2003 and the nine months ended September 30, 2004, respectively, Lazard Ltd s entity-level taxes would total an additional %, % and % of its pro rata share of Lazard Group consolidated pro forma pre-tax income for the year ended December 31, 2003, nine months ended September 30, 2003 and the nine months ended September 30, 2004, respectively.
(g) Minority interest expense includes an adjustment for LAZ-MD Holdings ownership of approximately % of the Lazard Group common membership interests outstanding immediately after this offering to the pro forma results for the periods.
(h) Reflects the issuance of shares of our common stock pursuant to this offering and excludes million shares issuable upon exercise of the underwriters over-allotment option.
(i) Calculated after considering the impact of the pro forma adjustments described above and based on million weighted average basic and diluted shares outstanding, as applicable, after giving effect to the million shares issued pursuant to this offering, which excludes million shares issuable upon exercise of the underwriters over-allotment option.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT

OF FINANCIAL CONDITION

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

share									
Additional paid-in capital								(g)	
Accumulated deficit									
Total members equity and stockholders equity (deficiency)	346,623	(307,558)	39,065	(109,245)	(70,180)				
Total liabilities, members equity and stockholders equity (deficiency)	$ 3,447,576	$ (1,884,071)	$ 1,563,505	$	$ 1,563,505	$	$	$	$

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

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

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

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF INCOME

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

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

(a) Reflects adjustments necessary to remove the historical results of operations of Lazard Group s separated businesses.
(b) Interest expense includes dividends relating to Lazard Group s mandatorily redeemable preferred stock issued in March 2001, which amounted to $6,312 and $8,000 in the years ended December 31, 2001 and 2002, respectively.

MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

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

Business Summary

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

- Financial Advisory, which includes providing advice on mergers, acquisitions, restructurings and other financial matters,

- Asset Management, which includes the management of equity and fixed income securities and merchant banking funds, and

- Capital Markets and Other, which consists of equity, fixed income and convertibles sales and trading, broking, research and underwriting services, merchant banking fund management activities outside of France and specified non-operating assets and liabilities. In connection with the separation, Lazard Group will transfer its Capital Markets and Other segment to LFCM Holdings.

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

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

Business Environment

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

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

Financial Advisory

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

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

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

Asset Management

From 1993 to 2003, global stock markets appreciated substantially. The MSCI World Index rose by 6% on a compounded annual basis during this period. European markets experienced similar improvement, with the FTSE 100, CAC 40 and DAX indices up 3%, 5% and 6%, respectively, on a compounded annual basis. In the U.S., the Dow Jones Industrial, S&P 500 and NASDAQ indices rose by 11%, 9% and 10%, respectively, on a compounded annual basis. According to *Pensions & Investments*, an industry publication, worldwide assets managed by the top 100 asset managers grew by 20%, on a compounded annual basis, over this period. We believe that this growth in excess of market appreciation reflects a shift towards assets being concentrated among leading asset managers and consolidation within the asset management industry. During the same period, assets managed in hedge funds and merchant banking funds also experienced significant growth. Hedge fund assets, for example, grew 17%, on a compounded annual basis, to $820 billion at year end 2003, and funds raised for global private capital, which includes private equity and venture capital investment funds, increased by 12% on a compounded annual basis.

While global stock markets experienced substantial appreciation from 1993 to 2003, markets have experienced considerable volatility since 1999, with various market indices reaching record highs in 1999 and the first quarter of 2000, and then declining steadily through December 31, 2002. From

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

Recent Developments

During the fourth quarter of 2004, we have experienced an increased rate of revenue growth in comparison to revenue growth during the first nine months of 2004, such that we estimate that full year 2004 Mergers and Acquisitions net revenue will be up approximately 13% from 2003. This reflects an improvement relative to the increase of 9% for the nine months ended September 30, 2004 over the comparable period in 2003. In addition, we believe that the level of our business activity has increased as evidenced by our involvement in several prominent recently announced transactions, including our representation of Telecom Italia Mobile in its pending 21 billion sale of the remaining public interests to Telecom Italia, Mitsubishi Tokyo Financial Group in its pending merger with UFJ Holdings and Nextel Communications in its pending $70 billion merger-of-equals with Sprint Corporation. We also recently announced our entry into strategic alliances with prominent, locally-based advisory firms in Brazil and Argentina, which we believe will better position us to take advantage of merger and acquisition opportunities in those countries.

In our Asset Management business, our current AUM have risen to over $82 billion, from $78.5 billion as of September 30, 2004, reflecting recent market appreciation. This growth contributes to our expectation of approximately 22% period-over-period management fee revenue growth for 2004. For the full year 2004, the significant year-over-year growth that we expect to realize in Asset Management net revenue will have been achieved without realizing a significant amount of performance-based incentive fees from our alternative investments area, a business that we have been making recent efforts to expand in order to capitalize on its potential.

Key Financial Measures and Indicators

Net Revenue

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

Our Asset Management segment includes our LAM, LFG and merchant banking operations. Asset Management net revenue is derive