

Lazard Ltd
Form 10-Q
October 28, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2015

OR

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

For the transition period from _____ to _____

001-32492

(Commission File Number)

LAZARD LTD

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(Exact name of registrant as specified in its charter)

Bermuda
(State or Other Jurisdiction of Incorporation
or Organization)

98-0437848
(I.R.S. Employer Identification No.)

Clarendon House

2 Church Street

Hamilton HM11, Bermuda

(Address of principal executive offices)

Registrant's telephone number: (441) 295-1422

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

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

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

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

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

As of October 16, 2015, there were 129,766,091 shares of the Registrant's Class A common stock outstanding (including 4,280,678 shares held by subsidiaries).

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When we use the terms "Lazard", "we", "us", "our" and "the Company", we mean Lazard Ltd, a company incorporated under the laws of Bermuda, and its subsidiaries, including Lazard Group LLC, a Delaware limited liability company ("Lazard Group"), that is the current holding company for our businesses. Lazard Ltd's primary operating asset is its indirect ownership as of September 30, 2015 of all of the common membership interests in Lazard Group and its controlling interest in Lazard Group.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

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Table of Contents**LAZARD LTD****CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION****SEPTEMBER 30, 2015 AND DECEMBER 31, 2014****(UNAUDITED)****(dollars in thousands, except for per share data)**

	September 30, 2015	December 31, 2014
ASSETS		
Cash and cash equivalents	\$ 859,984	\$ 1,066,580
Deposits with banks and short-term investments	276,585	207,760
Cash deposited with clearing organizations and other segregated cash	34,859	43,290
Receivables (net of allowance for doubtful accounts of \$20,327 and \$23,540 at September 30, 2015 and December 31, 2014, respectively):		
Fees	426,441	483,681
Customers and other	75,968	73,915
	502,409	557,596
Investments	575,204	620,352
Property (net of accumulated amortization and depreciation of \$261,856 and \$256,286 at September 30, 2015 and December 31, 2014, respectively)	209,814	222,569
Goodwill and other intangible assets (net of accumulated amortization of \$55,141 and \$51,754 at September 30, 2015 and December 31, 2014, respectively)	325,624	347,438
Deferred tax assets	1,113,060	59,041
Other assets	250,498	207,610
Total Assets	\$ 4,148,037	\$ 3,332,236

See notes to condensed consolidated financial statements.

Table of Contents**LAZARD LTD****CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION****SEPTEMBER 30, 2015 AND DECEMBER 31, 2014****(UNAUDITED)****(dollars in thousands, except for per share data)**

	September 30, 2015	December 31, 2014
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Deposits and other customer payables	\$ 399,824	\$ 316,601
Accrued compensation and benefits	455,966	606,290
Senior debt	998,350	1,048,350
Tax receivable agreement obligation	523,907	19,577
Capital lease obligations	9,685	12,015
Other liabilities	548,432	559,346
Total Liabilities	2,936,164	2,562,179
Commitments and contingencies		
STOCKHOLDERS EQUITY		
Preferred stock, par value \$.01 per share; 15,000,000 shares authorized:		
Series A - 7,921 shares issued and outstanding at September 30, 2015 and December 31, 2014		
Series B - no shares issued and outstanding		
Common stock:		
Class A, par value \$.01 per share (500,000,000 shares authorized; 129,766,091 shares issued at September 30, 2015 and December 31, 2014, including shares held by subsidiaries as indicated below)	1,298	1,298
Additional paid-in-capital	569,535	702,800
Retained earnings	1,014,145	464,655
Accumulated other comprehensive loss, net of tax	(252,525)	(200,766)
	1,332,453	967,987
Class A common stock held by subsidiaries, at cost (4,264,125 and 7,450,745 shares at September 30, 2015 and December 31, 2014, respectively)	(177,798)	(261,243)
Total Lazard Ltd Stockholders Equity	1,154,655	706,744
Noncontrolling interests	57,218	63,313
Total Stockholders Equity	1,211,873	770,057
Total Liabilities and Stockholders Equity	\$ 4,148,037	\$ 3,332,236

See notes to condensed consolidated financial statements.

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	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
REVENUE				
Investment banking and other advisory fees	\$ 330,408	\$ 290,604	\$ 946,057	\$ 843,186
Asset management fees	253,752	276,940	784,461	805,848
Interest income	1,102	1,243	3,393	3,815
Other	54	12,936	65,879	60,832
Total revenue	585,316	581,723	1,799,790	1,713,681
Interest expense	11,798	15,512	39,431	47,174
Net revenue	573,518	566,211	1,760,359	1,666,507
OPERATING EXPENSES				
Compensation and benefits	319,565	338,612	984,786	1,006,101
Occupancy and equipment	26,278	29,400	80,889	86,079
Marketing and business development	18,244	19,127	55,758	59,254
Technology and information services	22,923	23,025	68,850	68,466
Professional services	10,758	11,184	36,100	32,895
Fund administration and outsourced services	14,367	17,034	48,008	48,490
Amortization of intangible assets related to acquisitions	511	4,020	3,401	5,946
Provision (benefit) pursuant to tax receivable agreement	(420,792)	(176)	547,691	9,064
Other	10,920	10,273	90,845	30,340
Total operating expenses	2,774	452,499	1,916,328	1,346,635
OPERATING INCOME (LOSS)	570,744	113,712	(155,969)	319,872
Provision (benefit) for income taxes	170,954	23,792	(993,560)	58,614
NET INCOME	399,790	89,920	837,591	261,258
LESS - NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	1,269	1,061	9,004	6,365
NET INCOME ATTRIBUTABLE TO LAZARD LTD	\$ 398,521	\$ 88,859	\$ 828,587	\$ 254,893

**ATTRIBUTABLE TO LAZARD LTD CLASS A COMMON STOCKHOLDERS:
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:**

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Basic	125,925,006	122,206,914	125,264,447	122,366,632
Diluted	133,115,419	133,566,684	133,219,137	133,722,776
NET INCOME PER SHARE OF COMMON STOCK:				
Basic	\$3.16	\$0.73	\$6.61	\$2.08
Diluted	\$2.99	\$0.67	\$6.22	\$1.91
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK				
	\$0.35	\$0.30	\$2.00	\$0.90

See notes to condensed consolidated financial statements.

Table of Contents**LAZARD LTD****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2015 AND 2014****(UNAUDITED)****(dollars in thousands)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
NET INCOME	\$ 399,790	\$ 89,920	\$ 837,591	\$ 261,258
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:				
Currency translation adjustments	(19,034)	(29,100)	(41,376)	(18,640)
Employee benefit plans:				
Actuarial gain (loss) (net of tax (expense) benefit of \$(253) and \$(1,731) for the three months ended September 30, 2015 and 2014, respectively, and \$7,753 and \$1,919 for the nine months ended September 30, 2015 and 2014, respectively)	477	3,251	(14,140)	(3,695)
Adjustment for items reclassified to earnings (net of tax expense of \$368 and \$528 for the three months ended September 30, 2015 and 2014, respectively, and \$1,469 and \$1,391 for the nine months ended September 30, 2015 and 2014, respectively)	1,381	1,145	3,757	3,714
OTHER COMPREHENSIVE LOSS, NET OF TAX	(17,176)	(24,704)	(51,759)	(18,621)
COMPREHENSIVE INCOME	382,614	65,216	785,832	242,637
LESS - COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	1,269	1,061	9,004	6,365
COMPREHENSIVE INCOME ATTRIBUTABLE TO LAZARD LTD	\$ 381,345	\$ 64,155	\$ 776,828	\$ 236,272

See notes to condensed consolidated financial statements.

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	Nine Months Ended September 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 837,591	\$ 261,258
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization of property	24,251	26,332
Amortization of deferred expenses and share-based incentive compensation	246,129	227,896
Amortization of intangible assets related to acquisitions	3,401	5,946
Deferred tax provision (benefit)	(1,056,659)	9,843
Provision pursuant to tax receivable agreement	547,691	9,064
Loss on extinguishment of debt	60,219	
Gain on disposal of subsidiaries	(24,388)	
(Increase) decrease in operating assets:		
Deposits with banks and short-term investments	(84,386)	(18,626)
Cash deposited with clearing organizations and other segregated cash	7,413	15,630
Receivables-net	34,391	(12,982)
Investments	34,198	(78,820)
Other assets	(105,902)	(114,012)
Increase (decrease) in operating liabilities:		
Deposits and other payables	105,215	25,666
Accrued compensation and benefits and other liabilities	(109,770)	58,227
Net cash provided by operating activities	519,394	415,422
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property	(18,479)	(14,161)
Disposals of property	471	1,023
Net cash used in investing activities	(18,008)	(13,138)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from:		
Contributions from noncontrolling interests	268	1,102
Issuance of senior debt, net of expenses	396,272	
Excess tax benefits from share-based incentive compensation	9,516	1,508
Payments for:		
Senior debt	(509,098)	
Capital lease obligations	(1,435)	(1,738)
Distributions to noncontrolling interests	(15,367)	(9,182)
Payments under tax receivable agreement	(1,276)	
Partial extinguishment of tax receivable agreement obligation	(42,222)	
Purchase of Class A common stock	(159,471)	(192,657)

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Class A common stock dividends	(246,759)	(109,592)
Settlement of vested share-based incentive compensation	(105,007)	(83,783)
Other financing activities	(1,998)	(1,754)
Net cash used in financing activities	(676,577)	(396,096)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(31,405)	(27,086)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(206,596)	(20,898)
CASH AND CASH EQUIVALENTS January 1	1,066,580	841,482
CASH AND CASH EQUIVALENTS September 30	\$ 859,984	\$ 820,584

See notes to condensed consolidated financial statements.

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LAZARD LTD

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014

(UNAUDITED)

(dollars in thousands)

	Series A Preferred Stock		Common Stock		Additional Paid-In-Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Tax	Class A Common Stock Held By Subsidiaries		Total Lazard Ltd Stockholders' Equity	Noncontrolling Interests	Total Stockholders' Equity
	Shares	\$	Shares(*)	\$				Shares	\$			
Balance January 1, 2014	7,921	\$	129,056,082	\$ 1,291	\$ 737,899	\$ 203,236	\$ (133,004)	8,317,065	\$ (249,213)	\$ 560,209	\$ 69,789	\$ 629,998
Comprehensive income (loss):												
Net income						254,893				254,893	6,365	261,258
Other comprehensive loss - net of tax							(18,621)			(18,621)		(18,621)
Amortization of share-based incentive compensation					159,095					159,095		159,095
Dividend-equivalents					13,489	(15,243)				(1,754)		(1,754)
Class A common stock dividends						(109,592)				(109,592)		(109,592)
Purchase of Class A common stock								4,114,206	(192,657)	(192,657)		(192,657)
Delivery of Class A common stock in connection with share-based incentive compensation and related tax benefit of \$1,409					(257,127)			(4,828,479)	174,753	(82,374)		(82,374)
Class A common stock issued in exchange for Lazard Group common membership interests			710,009	7	(7)							
Business acquisitions and related equity transactions:												
Class A common stock issuable (including related amortization)					387					387		387
Distributions to noncontrolling interests, net											(8,080)	(8,080)
Adjustments related to noncontrolling interests					3,543		(559)			2,984	(2,984)	
Balance September 30, 2014	7,921	\$	129,766,091	\$ 1,298	\$ 657,279	\$ 333,294	\$ (152,184)	7,602,792	\$ (267,117)	\$ 572,570	\$ 65,090	\$ 637,660

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(*) Includes 129,056,081 and 129,766,091 shares of the Company's Class A common stock issued at January 1, 2014 and September 30, 2014, respectively, and 1 share of the Company's Class B common stock issued at January 1, 2014.

See notes to condensed consolidated financial statements.

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LAZARD LTD

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2015

(UNAUDITED)

(dollars in thousands)

	Series A Preferred Stock		Common Stock		Additional Paid-In-Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Tax	Class A Common Stock Held By Subsidiaries		Total Lazard Ltd Stockholders' Equity		Noncontrolling Stockholders' Interests	Total Equity
	Shares	\$	Shares	\$				Shares	\$	Shares	\$		
January 1, 2015	7,921	\$	129,766,091	\$ 1,298	\$ 702,800	\$ 464,655	\$ (200,766)	7,450,745	\$ (261,243)	\$ 706,744	\$ 63,313	\$ 770,057	
Comprehensive income													
Income						828,587				828,587	9,004	837,591	
Comprehensive loss - tax							(51,759)			(51,759)		(51,759)	
Amortization of unvested restricted incentive awards					174,823					174,823		174,823	
Share-based payments					30,340	(32,338)				(1,998)		(1,998)	
Repurchase of common stock						(246,759)				(246,759)		(246,759)	
Issuance of Class A common stock								3,141,526	(159,471)	(159,471)		(159,471)	
Issuance of Class A common stock in connection with unvested restricted incentive awards and related benefit of \$9,495					(337,101)			(6,300,830)	241,589	(95,512)		(95,512)	
Share-based payments and related equity transactions:													
Issuance of Class A common stock					(1,327)			(27,316)	1,327				
Contributions to noncontrolling interests, net											(15,099)	(15,099)	
September 30,	7,921	\$	129,766,091	\$ 1,298	\$ 569,535	\$ 1,014,145	\$ (252,525)	4,264,125	\$ (177,798)	\$ 1,154,655	\$ 57,218	\$ 1,211,873	

See notes to condensed consolidated financial statements.

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LAZARD LTD

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(dollars in thousands, except for per share data, unless otherwise noted)

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

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

Lazard Ltd indirectly held 100% of all outstanding Lazard Group common membership interests as of September 30, 2015 and December 31, 2014. Lazard Ltd, through its control of the managing members of Lazard Group, controls Lazard Group, which is governed by an Amended and Restated Operating Agreement dated as of October 26, 2015 (the Operating Agreement). LAZ-MD Holdings LLC (LAZ-MD Holdings), an entity formerly owned by Lazard Group's current and former managing directors, held approximately 0.5% of the outstanding Lazard Group common membership interests as of January 1, 2014. As of January 1, 2014, LAZ-MD Holdings was also the sole owner of the one issued and outstanding share of Lazard Ltd's Class B common stock (the Class B common stock). In May 2014, the remaining outstanding Lazard Group common membership interests held by LAZ-MD Holdings were exchanged for shares of the Company's Class A common stock, par value \$0.01 per share (Class A common stock), and the sole issued and outstanding share of the Company's Class B common stock was automatically converted into one share of the Company's Class A common stock pursuant to the provisions of the Company's bye-laws, resulting in only one outstanding class of common stock (the Final Exchange of LAZ-MD Interests). Following the Final Exchange of LAZ-MD Interests, Lazard Group became a wholly-owned indirect subsidiary of Lazard Ltd.

Lazard Ltd's primary operating asset is its indirect ownership of the common membership interests of, and managing member interests in, Lazard Group, whose principal operating activities are included in two business segments:

Financial Advisory, which offers corporate, partnership, institutional, government, sovereign and individual clients across the globe a wide array of financial advisory services regarding mergers and acquisitions (M&A) and other strategic matters, restructurings, capital structure, capital raising and various other financial matters, and

Asset Management, which offers a broad range of global investment solutions and investment management services in equity and fixed income strategies, alternative investments and private equity funds to corporations, public funds, sovereign entities, endowments and foundations, labor funds, financial intermediaries and private clients.

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

LFB is a registered bank regulated by the Autorité de Contrôle Prudentiel et de Résolution (ACPR). It is engaged primarily in commercial and private banking services for clients and funds managed by Lazard Frères Gestion SAS (LFG) and other clients, investment banking activities, including participation in underwritten offerings of securities in France, and asset-liability management.

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LAZARD LTD

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

(dollars in thousands, except for per share data, unless otherwise noted)

Basis of Presentation

The accompanying condensed consolidated financial statements of Lazard Ltd have been prepared pursuant to the rules and regulations of the United States Securities and Exchange Commission (the SEC) regarding interim financial reporting. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America (U.S. GAAP) for complete financial statements and should be read in conjunction with the audited consolidated financial statements and notes thereto included in Lazard Ltd's Annual Report on Form 10-K for the year ended December 31, 2014 (the Form 10-K). The accompanying December 31, 2014 unaudited condensed consolidated statement of financial condition data was derived from audited consolidated financial statements, but does not include all disclosures required by U.S. GAAP for annual financial statement purposes. The accompanying condensed consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented.

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

The consolidated results of operations for the three month and nine month periods ended September 30, 2015 are not necessarily indicative of the results to be expected for any future interim or annual period.

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

The Company's policy is to consolidate entities in which it has a controlling financial interest. The Company consolidates (i) a voting interest entity (VOE) where the Company either holds a majority of the voting interest in such entity or is the general partner in such entity and the third-party investors do not have the right to replace the general partner and (ii) a variable interest entity (VIE) where the Company absorbs a majority of the expected losses, expected residual returns, or both, of such entity. When the Company does not have a controlling interest in an entity, but exerts significant influence over such entity's operating and financial decisions, the Company applies the equity method of accounting in which it records in earnings its share of earnings or losses of the entity. Intercompany transactions and balances have been eliminated.

Certain prior period amounts have been reclassified to conform to the current period presentation, primarily by separately presenting deferred tax assets and the tax receivable agreement obligation in the condensed consolidated statements of financial condition and the condensed consolidated statements of cash flows.

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LAZARD LTD

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

(dollars in thousands, except for per share data, unless otherwise noted)

2. RECENT ACCOUNTING DEVELOPMENTS

Revenue from Contracts with Customers In May 2014, the Financial Accounting Standards Board (the FASB) issued comprehensive new revenue recognition guidance. The guidance requires a company to recognize revenue when it transfers promised services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those services and requires enhanced disclosures. The new guidance is effective for annual and interim periods beginning after December 15, 2016, and early adoption is not permitted. On July 9, 2015, the FASB approved the deferral of the effective date of the new revenue guidance by one year to annual reporting periods beginning after December 15, 2017, with early adoption being permitted for annual periods beginning after December 15, 2016. The Company is currently evaluating the new guidance.

Amendments to the Consolidation Analysis In February 2015, the FASB issued updated guidance for the consolidation of certain legal entities. The updated guidance eliminates the deferral of certain consolidation standards for entities considered to be investment companies and modifies the evaluation of whether limited partnerships and similar legal entities are VIEs or VOs. The new guidance is effective for annual reporting periods beginning after December 15, 2015, with early adoption permitted. The Company does not expect that the adoption of this guidance will have a material impact on our consolidated financial statements or related disclosures.

Interest Imputation of Interest In April 2015, the FASB issued updated guidance which requires a company to classify debt issuance costs related to a recognized debt liability in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The new guidance is effective for financial statements issued for fiscal years beginning after December 15, 2015, with early adoption permitted. The new guidance is to be applied on a retrospective basis. The Company does not expect that the adoption of this guidance will have a material impact on our consolidated financial statements or related disclosures.

Fair Value Measurement In May 2015, the FASB issued updated guidance for the classification and disclosure of certain investments using the net asset value (NAV) as a practical expedient to measure the fair value of the investment. The guidance removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using NAV as a practical expedient. The new guidance is effective for financial statements issued for fiscal years beginning after December 15, 2015, with early adoption permitted. The new guidance is to be applied on a retrospective basis. The Company elected to early adopt this guidance in the quarter ended September 30, 2015 and has removed investments that are measured at NAV as a practical expedient from the fair value hierarchy in all periods presented in the condensed consolidated financial statements and related disclosures.

3. RECEIVABLES

The Company's receivables represent fee receivables and amounts due from customers and other receivables.

Table of Contents**LAZARD LTD****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(UNAUDITED)****(dollars in thousands, except for per share data, unless otherwise noted)**

Receivables are stated net of an estimated allowance for doubtful accounts, for past due amounts and for specific accounts deemed uncollectible, which may include situations where a fee is in dispute. Activity in the allowance for doubtful accounts for the three month and nine month periods ended September 30, 2015 and 2014 was as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Beginning balance	\$ 21,071	\$ 29,943	\$ 23,540	\$ 28,777
Bad debt expense, net of recoveries	(256)	2,064	3,037	9,567
Charge-offs, foreign currency translation and other adjustments	(488)	(2,148)	(6,250)	(8,485)
Ending balance	\$ 20,327	\$ 29,859	\$ 20,327	\$ 29,859

Bad debt expense, net of recoveries is included in investment banking and other advisory fees on the condensed consolidated statements of operations.

At September 30, 2015 and December 31, 2014, the Company had receivables past due or deemed uncollectible of \$27,474 and \$24,578, respectively.

Of the Company's fee receivables at September 30, 2015 and December 31, 2014, \$82,681 and \$86,221, respectively, represented interest-bearing financing receivables. Based upon our historical loss experience, the credit quality of the counterparties, and the lack of past due or uncollectible amounts, there was no allowance for doubtful accounts required at those dates related to such receivables.

The aggregate carrying amount of our non-interest bearing receivables of \$419,728 and \$471,375 at September 30, 2015 and December 31, 2014, respectively, approximates fair value.

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The Company's investments and securities sold, not yet purchased, consist of the following at September 30, 2015 and December 31, 2014:

	September 30, 2015	December 31, 2014
Interest-bearing deposits	\$ 56,441	\$ 84,575
Debt	1,736	10,426
Equities	46,576	57,302
Funds:		
Alternative investments (a)	69,026	34,705
Debt (a)	66,570	82,889
Equity (a)	206,936	228,209
Private equity	121,217	114,470
	463,749	460,273
Equity method	6,702	7,776
Total investments	575,204	620,352
Less:		
Interest-bearing deposits	56,441	84,575
Equity method	6,702	7,776
Investments, at fair value	\$ 512,061	\$ 528,001
Securities sold, not yet purchased, at fair value (included in other liabilities)	\$ 3,076	\$ 9,290

(a) Interests in alternative investment funds, debt funds and equity funds include investments with fair values of \$12,001, \$31,116 and \$153,627, respectively, at September 30, 2015 and \$8,321, \$42,070 and \$162,798, respectively, at December 31, 2014, held in order to satisfy the Company's liability upon vesting of previously granted Lazard Fund Interests (LFI) and other similar deferred compensation arrangements. LFI represent grants by the Company to eligible employees of actual or notional interests in a number of Lazard-managed funds, subject to service-based vesting conditions (see Notes 6 and 12 of Notes to Condensed Consolidated Financial Statements).

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

Debt securities primarily consist of seed investments invested in debt securities held within separately managed accounts related to our Asset Management business.

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

Alternative investment funds primarily consist of interests in various Lazard-managed hedge funds, funds of funds and mutual funds.

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

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

Private equity investments include those owned by Lazard and those consolidated but not owned by Lazard. Private equity investments owned by Lazard are primarily comprised of investments in private equity funds. Such investments primarily include (i) Edgewater Growth Capital Partners III, L.P. (EGCP III), a fund primarily making equity and buyout investments in middle market companies, (ii) Lazard Australia Corporate Opportunities Fund 2 (COF2), an Australian fund targeting Australian mid-market investments, (iii) a mezzanine fund, which invests in mezzanine debt of a diversified selection of small- to mid-cap European companies, and (iv) a fund targeting significant noncontrolling-stake investments in established private companies. The Company disposed of its private equity business in Australia in the second quarter of 2015 in a transaction with the management of the disposed business. Revenue of \$24,388 relating to the disposal of the business primarily represents the realization of carried interest at fair value and is included in revenue-other on the condensed consolidated statements of operations for the nine month period ended September 30, 2015. See Note 5 of Notes to Condensed Consolidated Financial Statements.

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

During the three month and nine month periods ended September 30, 2015 and 2014, the Company reported in revenue-other on its condensed consolidated statements of operations net unrealized investment gains and losses pertaining to trading securities still held as of the reporting date as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net unrealized investment gains (losses)	\$ (24,962)	\$ (13,897)	\$ (26,077)	\$ (75)

5. FAIR VALUE MEASUREMENTS

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

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

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

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

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LAZARD LTD

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

(dollars in thousands, except for per share data, unless otherwise noted)

The Company's investments in debt securities are classified as Level 1 when their respective fair values are based on unadjusted quoted prices in active markets and are classified as Level 2 when their fair values are primarily based on prices as provided by external pricing services.

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

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

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

The fair values of derivatives entered into by the Company are classified as Level 2 and are based on the values of the related underlying assets, indices or reference rates as follows: the fair value of forward foreign currency exchange rate contracts is a function of the spot rate and the interest rate differential of the two currencies from the trade date to settlement date; the fair value of total return swaps is based on the change in fair values of the related underlying equity security, financial instrument or index and a specified notional holding; the fair value of interest rate swaps is based on the interest rate yield curve; and the fair value of derivative liabilities related to LFI and other similar deferred compensation arrangements is based on the value of the underlying investments, adjusted for forfeitures. See Note 6 of Notes to Condensed Consolidated Financial Statements.

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

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The following tables present, as of September 30, 2015 and December 31, 2014, the classification of (i) investments and certain other assets and liabilities measured at fair value on a recurring basis within the fair value hierarchy and (ii) investments measured at NAV or its equivalent as a practical expedient:

	September 30, 2015				Total
	Level 1	Level 2	Level 3	NAV (a)	
Assets:					
Investments:					
Debt	\$ 1,736	\$	\$	\$	\$ 1,736
Equities	45,300		1,276		46,576
Funds:					
Alternative investments	43,961			25,065	69,026
Debt	66,564			6	66,570
Equity	206,893			43	206,936
Private equity			25,191	96,026	121,217
Derivatives		12,210			12,210
Total	\$ 364,454	\$ 12,210	\$ 26,467	\$ 121,140	\$ 524,271
Liabilities:					
Securities sold, not yet purchased	\$ 3,076	\$	\$	\$	\$ 3,076
Derivatives		189,563			189,563
Total	\$ 3,076	\$ 189,563	\$	\$	\$ 192,639

	December 31, 2014 (b)				Total
	Level 1	Level 2	Level 3	NAV (a)	
Assets:					
Investments:					
Debt	\$ 5,540	\$ 4,886	\$	\$	\$ 10,426
Equities	55,987		1,315		57,302
Funds:					
Alternative investments				34,705	34,705
Debt	82,885			4	82,889
Equity	228,166			43	228,209
Private equity				114,470	114,470
Derivatives		2,355			2,355
Total	\$ 372,578	\$ 7,241	\$ 1,315	\$ 149,222	\$ 530,356

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Liabilities:

Securities sold, not yet purchased	\$ 9,290	\$	\$	\$ 9,290
Derivatives		208,093		208,093
Total	\$ 9,290	\$ 208,093	\$	\$ 217,383

- (a) Represents certain investments measured at NAV or its equivalent as a practical expedient in determining fair value. In accordance with current accounting guidance, these investments have not been classified in the fair value hierarchy. See Note 2 of Notes to Condensed Consolidated Financial Statements for additional information.

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(b) The table as of December 31, 2014 reflects the retrospective application of new disclosure guidance adopted by the Company for investments using NAV or its equivalent as a practical expedient when measuring fair value. See Note 2 of Notes to Condensed Consolidated Financial Statements.

The following tables provide a summary of changes in fair value of the Company's Level 3 assets for the three month and nine month periods ended September 30, 2015 and 2014:

	Three Months Ended September 30, 2015 (a)					
	Beginning Balance	Net	Purchases/ Acquisitions	Sales/ Dispositions	Foreign Currency Translation Adjustments	Ending Balance
		Unrealized/ Realized Gains (Losses) Included In Revenue- Other (b)				
Investments:						
Equities	\$ 1,299	\$ 2	\$	\$	\$ (25)	\$ 1,276
Private equity funds	22,267	633	2,291			25,191
Total Level 3 Assets	\$ 23,566	\$ 635	\$ 2,291	\$	\$ (25)	\$ 26,467

	Nine Months Ended September 30, 2015 (a)					
	Beginning Balance	Net	Purchases/ Acquisitions/ Transfers (c)	Sales/ Dispositions	Foreign Currency Translation Adjustments	Ending Balance
		Unrealized/ Realized Gains (Losses) Included In Revenue- Other (b)				
Investments:						
Equities	\$ 1,315	\$ 12	\$	\$	\$ (51)	\$ 1,276
Private equity funds		3,404	22,178	(391)		25,191
Total Level 3 Assets	\$ 1,315	\$ 3,416	\$ 22,178	\$ (391)	\$ (51)	\$ 26,467

	Three Months Ended September 30, 2014 (a)					
	Beginning Balance	Net	Purchases/ Acquisitions	Sales/ Dispositions	Foreign Currency Translation Adjustments	Ending Balance
		Unrealized/ Realized Gains (Losses)				

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	Included In Revenue- Other (b)					
Investments:						
Equities	\$ 1,370	\$	\$	\$	\$ (36)	\$ 1,334
Total Level 3 Assets	\$ 1,370	\$	\$	\$	\$ (36)	\$ 1,334

Nine Months Ended September 30, 2014 (a)

	Net Unrealized/ Realized Gains (Losses) Included					Foreign Currency Translation Adjustments	Ending Balance
	Beginning Balance	In Revenue- Other (b)	Purchases/ Acquisitions	Sales/ Dispositions			
Investments:							
Equities	\$ 1,340	\$ 14	\$	\$	\$ (20)	\$ 1,334	
Total Level 3 Assets	\$ 1,340	\$ 14	\$	\$	\$ (20)	\$ 1,334	

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- (a) The tables for the three month and nine month periods ended September 30, 2015 and 2014 reflect the retrospective application of new disclosure guidance adopted by the Company for investments using NAV or its equivalent as a practical expedient when measuring fair value. See Note 2 of Notes to Condensed Consolidated Financial Statements.
- (b) Earnings for the three month and nine month periods ended September 30, 2015 and the three month and nine month periods ended September 30, 2014 include net unrealized gains (losses) of \$635, \$3,416, \$0 and \$14, respectively.
- (c) Certain investments that were valued at NAV as of December 31, 2014 of \$19,255 were transferred to Level 3 from the NAV category in the nine months ended September 30, 2015 as these investments are valued based on a potential transaction value as of September 30, 2015.

There were no transfers between any of the Level 1, 2 and 3 categories in the fair value measurement hierarchy during the three month and nine month periods ended September 30, 2015 and 2014.

The following tables present, at September 30, 2015 and December 31, 2014, certain investments that are valued using NAV or its equivalent as a practical expedient in determining fair value:

	September 30, 2015							
	Fair Value	Unfunded Commitments	% of Fair Value Not Redeemable	Estimated Liquidation Period of Investments Not Redeemable			Investments Redeemable	
				% Next 5 Years	% 5-10 Years	% Thereafter	Redemption Frequency	Redemption Notice Period
Alternative investment funds:								
Hedge funds	\$ 23,005	\$	NA	NA	NA	NA	(a)	<30-60 days
Funds of funds	457		NA	NA	NA	NA	(b)	<30-90 days
Other	1,603		NA	NA	NA	NA	(c)	<30-60 days
Debt funds	6		NA	NA	NA	NA	(d)	30 days
Equity funds	43		NA	NA	NA	NA	(e)	<30-90 days
Private equity funds:								
Equity growth	61,549	1,078(f)	100%	25%	73%	2%	NA	NA
Mezzanine debt	34,477		100%			100%	NA	NA
Total	\$ 121,140	\$ 1,078						

(a) weekly (22%), monthly (61%) and quarterly (17%)

(b) monthly (98%) and quarterly (2%)

(c) daily (19%) and monthly (81%)

(d) daily (100%)

(e) daily (17%), monthly (57%) and quarterly (26%)

(f) Unfunded commitments to private equity investments consolidated but not owned by Lazard of \$5,501 are excluded. Such commitments are required to be funded by capital contributions from noncontrolling interest holders.

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	December 31, 2014							
	Fair Value	Unfunded Commitments	% of Fair Value Not Redeemable	Estimated Liquidation Period of Investments Not Redeemable			Investments Redeemable	
				% Next 5 Years	% 5-10 Years	% Thereafter	Redemption Frequency	Redemption Notice Period
Alternative investment funds:								
Hedge funds	\$ 31,042	\$	NA	NA	NA	NA	(a)	<30-60 days
Funds of funds	475		NA	NA	NA	NA	(b)	<30-90 days
Other	3,188		NA	NA	NA	NA	(c)	<30-60 days
Debt funds	4		NA	NA	NA	NA	(d)	30 days
Equity funds	43		NA	NA	NA	NA	(e)	30-90 days
Private equity funds:								
Equity growth	75,578	18,676(f)	100%	10%	63%	27%	NA	NA
Mezzanine debt	38,892		100%			100%	NA	NA
Total	\$ 149,222	\$ 18,676						

(a) weekly (15%), monthly (66%) and quarterly (19%)

(b) monthly (98%) and quarterly (2%)

(c) daily (11%), weekly (3%) and monthly (86%)

(d) daily (100%)

(e) daily (14%), monthly (58%) and quarterly (28%)

(f) Unfunded commitments to private equity investments consolidated but not owned by Lazard of \$6,888 are excluded. Such commitments are required to be funded by capital contributions from noncontrolling interest holders.

Investment Capital Funding Commitments At September 30, 2015, the Company's maximum unfunded commitments for capital contributions to investment funds arose primarily from commitments to EGCP III, which amounted to \$9,672, through the earlier of October 12, 2016 (*i.e.*, the end of the investment period) for investments and/or expenses (with a portion of the undrawn amount of such commitments as of that date remaining committed until October 12, 2023 in respect of follow-on investments and/or fund expenses) or the liquidation of the fund.

6. DERIVATIVES

The Company enters into forward foreign currency exchange rate contracts, interest rate swaps, interest rate futures, total return swap contracts on various equity and debt indices and other derivative contracts to economically hedge exposures to fluctuations in currency exchange rates, interest rates and equity and debt prices. The Company reports its derivative instruments separately as assets and liabilities unless a legal right of set-off exists under a master netting agreement enforceable by law. The Company's derivative instruments are recorded at their fair value, and are included in other assets and other liabilities on the condensed consolidated statements of financial condition. Gains and losses on the Company's derivative instruments not

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designated as hedging instruments are included in interest income and interest expense, respectively, or revenue-other, depending on the nature of the underlying item, in the condensed consolidated statements of operations.

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

The tables below present the fair values of the Company's derivative instruments reported within other assets and other liabilities and the fair values of the Company's derivative liabilities relating to its obligations pertaining to LFI and other similar deferred compensation arrangements (see Note 12 of Notes to Condensed Consolidated Financial Statements) on the accompanying condensed consolidated statements of financial condition as of September 30, 2015 and December 31, 2014:

	September 30, 2015	December 31, 2014
Derivative Assets:		
Forward foreign currency exchange rate contracts	\$ 876	\$ 2,355
Total return swaps and other (a)	11,334	
Total	\$ 12,210	\$ 2,355
Derivative Liabilities:		
Forward foreign currency exchange rate contracts	\$ 926	\$ 124
Total return swaps and other (a)		663
LFI and other similar deferred compensation arrangements	188,637	207,306
	\$ 189,563	\$ 208,093

- (a) For total return swaps, amounts represent the netting of gross derivative assets and liabilities of \$11,338 and \$4 as of September 30, 2015, respectively, and \$1,123 and \$1,786 as of December 31, 2014, respectively, for contracts with the same counterparty under legally enforceable master netting agreements. Such amounts are recorded net in other assets, with receivables for net cash collateral under such contracts of \$406 and \$12,364 as of September 30, 2015 and December 31, 2014, respectively.

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Net gains (losses) with respect to derivative instruments (predominantly reflected in revenue-other) and the Company's derivative liabilities relating to its obligations pertaining to LFI and other similar deferred compensation arrangements (included in compensation and benefits expense) as reflected on the accompanying condensed consolidated statements of operations for the three month and nine month periods ended September 30, 2015 and 2014, were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Forward foreign currency exchange rate contracts	\$ 1,109	\$ 15,355	\$ 12,486	\$ 14,380
LFI and other similar deferred compensation arrangements	12,145	5,528	9,903	(6,004)
Total return swaps and other	10,945	2,835	7,761	(5,436)
Total	\$ 24,199	\$ 23,718	\$ 30,150	\$ 2,940

7. PROPERTY

At September 30, 2015 and December 31, 2014, property consists of the following:

	Estimated Depreciable Life in Years	September 30, 2015	December 31, 2014
Buildings	33	\$ 141,162	\$ 152,982
Leasehold improvements	3-20	167,410	167,837
Furniture and equipment	3-10	156,642	150,458
Construction in progress		6,456	7,578
Total		471,670	478,855
Less - Accumulated depreciation and amortization		261,856	256,286
Property		\$ 209,814	\$ 222,569

8. GOODWILL AND OTHER INTANGIBLE ASSETS

The components of goodwill and other intangible assets at September 30, 2015 and December 31, 2014 are presented below:

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	September 30, 2015	December 31, 2014
Goodwill	\$ 316,989	\$ 335,402
Other intangible assets (net of accumulated amortization)	8,635	12,036
	\$ 325,624	\$ 347,438

At September 30, 2015 and December 31, 2014, goodwill of \$252,448 and \$270,861, respectively, was attributable to the Company's Financial Advisory segment and, at each such respective date, \$64,541 of goodwill was attributable to the Company's Asset Management segment.

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Changes in the carrying amount of goodwill for the nine month periods ended September 30, 2015 and 2014 are as follows:

	Nine Months Ended	
	September 30,	
	2015	2014
Balance, January 1	\$ 335,402	\$ 345,453
Business acquisitions		3,232
Foreign currency translation adjustments	(18,413)	(4,909)
Balance, September 30	\$ 316,989	\$ 343,776

All changes in the carrying amount of goodwill for the nine month periods ended September 30, 2015 and 2014 are attributable to the Company's Financial Advisory segment.

The gross cost and accumulated amortization of other intangible assets as of September 30, 2015 and December 31, 2014, by major intangible asset category, are as follows:

	September 30, 2015			December 31, 2014		
	Gross Cost	Accumulated Amortization	Net Carrying Amount	Gross Cost	Accumulated Amortization	Net Carrying Amount
Performance fees	\$ 30,740	\$ 23,102	\$ 7,638	\$ 30,740	\$ 21,116	\$ 9,624
Management fees, customer relationships and non-compete agreements	33,036	32,039	997	33,050	30,638	2,412
	\$ 63,776	\$ 55,141	\$ 8,635	\$ 63,790	\$ 51,754	\$ 12,036

Amortization expense of intangible assets for the three month and nine month periods ended September 30, 2015 was \$511 and \$3,401, respectively, and for the three month and nine month periods ended September 30, 2014 was \$4,020 and \$5,946, respectively. Estimated future amortization expense is as follows:

Year Ending December 31,	Amortization Expense (a)
2015 (October 1 through December 31)	\$ 3,156
2016	5,479
Total amortization expense	\$ 8,635

- (a) Approximately 45% of intangible asset amortization is attributable to a noncontrolling interest.

9. SENIOR DEBT

Senior debt is comprised of the following as of September 30, 2015 and December 31, 2014:

	Initial Principal Amount	Maturity Date	Annual Interest Rate	Outstanding As Of	
				September 30, 2015	December 31, 2014
Lazard Group 6.85% Senior Notes (a)	600,000	6/15/17	6.85%	\$ 98,350	\$ 548,350
Lazard Group 4.25% Senior Notes	500,000	11/14/20	4.25%	500,000	500,000
Lazard Group 3.75% Senior Notes (a)	400,000	2/13/25	3.75%	400,000	
Total				\$ 998,350	\$ 1,048,350

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

(dollars in thousands, except for per share data, unless otherwise noted)

(a) During February 2015, Lazard Group completed an offering of \$400,000 aggregate principal amount of 3.75% senior notes due 2025 (the 2025 Notes). Lazard Group also issued a notice to redeem \$450,000 of Lazard Group s 6.85% senior notes due June 15, 2017 (the 2017 Notes) in February 2015. Interest on the 2025 Notes is payable semi-annually on March 1 and September 1 of each year beginning September 1, 2015. Lazard Group used the net proceeds of the 2025 Notes, together with cash on hand, to redeem or otherwise retire \$450,000 of the 2017 Notes, which, including the recognition of unamortized issuance costs, resulted in a loss on debt extinguishment of \$60,219. Such loss on debt extinguishment was recorded in operating expenses other on the condensed consolidated statement of operations for the nine month period ended September 30, 2015.

On September 25, 2015, Lazard Group entered into an Amended and Restated Credit Agreement for a five-year \$150,000 senior revolving credit facility with a group of lenders (the Amended and Restated Credit Agreement), which expires in September 2020. The Amended and Restated Credit Agreement amended and restated the previous credit agreement dated September 25, 2012. Borrowings under the Amended and Restated Credit Agreement generally will bear interest at LIBOR plus an applicable margin for specific interest periods determined based on Lazard Group s highest credit rating from an internationally recognized credit agency. At September 30, 2015 and December 31, 2014, no amounts were outstanding under the Amended and Restated Credit Agreement or the prior revolving credit facility, respectively.

The Amended and Restated Credit Agreement, the indenture and the supplemental indentures relating to Lazard Group s senior notes contain certain covenants, events of default and other customary provisions, including a customary make-whole provision in the event of early redemption, where applicable. As of September 30, 2015, the Company was in compliance with such provisions. All of the Company s senior debt obligations are unsecured.

As of September 30, 2015, the Company had approximately \$247,000 in unused lines of credit available to it, including the credit facility provided under the Amended and Restated Credit Agreement, and unused lines of credit available to LFB of approximately \$39,000 (at September 30, 2015 exchange rates) and Edgewater of \$55,000. In addition, LFB has access to the Eurosystem Covered Bond Purchase Program of the Banque de France.

The Company s senior debt at September 30, 2015 and December 31, 2014 is carried at historical amounts. At those dates, the fair value of such senior debt was approximately \$1,016,000 and \$1,135,000, respectively, and exceeded the aggregate carrying value by approximately \$18,000 and \$87,000, respectively. The fair value of the Company s senior debt is based on market quotations. The Company s senior debt would be categorized within Level 2 of the hierarchy of fair value measurements if carried at fair value.

10. COMMITMENTS AND CONTINGENCIES

Leases The Company has various leases and other contractual commitments arising in the ordinary course of business.

Guarantees In the normal course of business, LFB provides indemnifications to third parties to protect them in the event of non-performance by its clients. At September 30, 2015, LFB had \$4,818 of such indemnifications and held \$4,465 of collateral/counter-guarantees to secure these commitments. The Company believes the likelihood of loss with respect to these indemnities is remote. Accordingly, no liability is recorded in the condensed consolidated statement of financial condition.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

(dollars in thousands, except for per share data, unless otherwise noted)

Certain Business Transactions On July 15, 2009, the Company established a private equity business with Edgewater. Edgewater manages funds primarily focused on buy-out and growth equity investments in middle market companies. The acquisition was structured as a purchase by Lazard Group of interests in a holding company that in turn owns interests in the general partner and management company entities of the current Edgewater private equity funds (the Edgewater Acquisition). Following the Edgewater Acquisition, Edgewater's leadership team retained a substantial economic interest in such entities.

The aggregate fair value of the consideration recognized by the Company at the acquisition date was \$61,624. Such consideration consisted of (i) a one-time cash payment, (ii) 1,142,857 shares of Class A common stock (the Initial Shares) and (iii) up to 1,142,857 additional shares of Class A common stock (the Earnout Shares) that are subject to earnout criteria and payable over time. The Earnout Shares will be issued only if certain performance thresholds are met. As of September 30, 2015 and December 31, 2014, 913,722 shares are issuable on a contingent basis, and 1,371,992 shares have been earned because applicable performance thresholds have been satisfied. As of September 30, 2015 and December 31, 2014, 1,371,992 of the earned shares have been settled.

Contingent Consideration Relating To Other Business Acquisitions For a business acquired in 2012, at December 31, 2012, 170,988 shares of Class A common stock (including dividend equivalent shares) were issuable on a non-contingent basis. Such shares were delivered in the first quarter of 2013. During the second quarter of 2015, the achievement of certain performance thresholds related to the acquired business were satisfied, resulting in the issuance of 27,316 shares of Class A common stock.

Other Commitments The Company has various other contractual commitments arising in the ordinary course of business. In addition, from time to time, each of LFB and LFNy may enter into underwriting commitments in which it will participate as an underwriter. At September 30, 2015, LFB and LFNy had no such underwriting commitments.

See Notes 5 and 13 of Notes to Condensed Consolidated Financial Statements for information regarding commitments relating to investment capital funding commitments and obligations to fund our pension plans, respectively.

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

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

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11. STOCKHOLDERS EQUITY

Share Repurchase Program During the nine month period ended September 30, 2015 and for the years ended December 31, 2014, 2013, and 2012, the Board of Directors of Lazard authorized the repurchase of Class A common stock as set forth in the table below.

Date	Repurchase Authorization	Expiration
October 2012	\$ 200,000	December 31, 2014
October 2013	\$ 100,000	December 31, 2015
April 2014	\$ 200,000	December 31, 2015
February 2015	\$ 150,000	December 31, 2016

The Company expects that the share repurchase program will primarily be used to offset a portion of the shares that have been or will be issued under the Lazard Ltd 2005 Equity Incentive Plan (the 2005 Plan) and the Lazard Ltd 2008 Incentive Compensation Plan (the 2008 Plan). Pursuant to the share repurchase program, purchases have been made in the open market or through privately negotiated transactions. The rate at which the Company purchases shares in connection with the share repurchase program may vary from quarter to quarter due to a variety of factors. Purchases with respect to such program are set forth in the table below:

	Number of Shares Purchased	Average Price Per Share
<u>Nine Months Ended September 30:</u>		
2014	4,114,206	\$ 46.83
2015	3,141,526	\$ 50.76

The shares purchased in the nine months ended September 30, 2014 included 1,000,000 shares purchased from Natixis S.A. on June 26, 2014 for \$50,340 in connection with the sale by Natixis S.A. of its entire investment in the Company's Class A common stock. The purchase transaction closed on July 1, 2014.

As of September 30, 2015, a total of \$119,461 of share repurchase authorization remained available under the Company's share repurchase program, which will expire on December 31, 2016.

During the nine month period ended September 30, 2015, the Company had in place trading plans under Rule 10b5-1 of the Securities Exchange Act of 1934, pursuant to which it effected stock repurchases in the open market.

Preferred Stock Lazard Ltd has 15,000,000 authorized shares of preferred stock, par value \$0.01 per share, inclusive of its Series A and Series B preferred stock. Series A and Series B preferred shares were issued in connection with certain prior year business acquisitions and are each non-participating securities convertible into Class A common stock, and have no voting or dividend rights. As of both September 30, 2015 and December 31, 2014, 7,921 shares of Series A preferred stock were outstanding, and no shares of Series B preferred stock were outstanding. At September 30, 2015 and December 31, 2014, no shares of Series A preferred stock were convertible into shares of Class A common stock on a contingent or a non-contingent basis.

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Accumulated Other Comprehensive Income (Loss), Net of Tax (AOCI) The tables below reflect changes in the balances of each component of AOCI during the nine month periods ended September 30, 2015 and 2014:

	Currency Translation Adjustments	Employee Benefit Plans	Total AOCI	Amount Attributable to Noncontrolling Interests	Total Lazard Ltd AOCI
Balance, January 1, 2015	\$ (46,102)	\$ (154,665)	\$ (200,767)	\$ (1)	\$ (200,766)
Activity January 1 to September 30, 2015:					
Other comprehensive loss before reclassifications	(41,376)	(14,140)	(55,516)		(55,516)
Adjustments for items reclassified to earnings, net of tax		3,757	3,757		3,757
Net other comprehensive loss	(41,376)	(10,383)	(51,759)		(51,759)
Balance, September 30, 2015	\$ (87,478)	\$ (165,048)	\$ (252,526)	\$ (1)	\$ (252,525)

	Currency Translation Adjustments	Employee Benefit Plans	Total AOCI	Amount Attributable to Noncontrolling Interests	Total Lazard Ltd AOCI
Balance, January 1, 2014	\$ 3,869	\$ (137,431)	\$ (133,562)	\$ (558)	\$ (133,004)
Activity January 1 to September 30, 2014:					
Other comprehensive income (loss) before reclassifications	(18,640)	(3,695)	(22,335)	559	(22,894)
Adjustments for items reclassified to earnings, net of tax		3,714	3,714		3,714
Net other comprehensive income (loss)	(18,640)	19	(18,621)	559	(19,180)
Balance, September 30, 2014	\$ (14,771)	\$ (137,412)	\$ (152,183)	\$ 1	\$ (152,184)

The table below reflects adjustments for items reclassified out of AOCI, by component, for the three month and nine month periods ended September 30, 2015 and 2014:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Amortization relating to employee benefit plans (a)	\$ 1,749	\$ 1,673	\$ 5,226	\$ 5,105
Less related income taxes	368	528	1,469	1,391

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Total reclassifications, net of tax	\$ 1,381	\$ 1,145	\$ 3,757	\$ 3,714
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- (a) Included in the computation of net periodic benefit cost (see Note 13 of Notes to Condensed Consolidated Financial Statements). Such amount is included in compensation and benefits expense on the condensed consolidated statement of operations.

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LAZARD LTD

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

(dollars in thousands, except for per share data, unless otherwise noted)

Noncontrolling Interests Noncontrolling interests principally represent interests held in (i) Edgewater's management vehicles that the Company is deemed to control, but does not own, and (ii) Lazard Group by LAZ-MD Holdings until May 2014. Following the Final Exchange of LAZ-MD Interests, Lazard Group became a wholly-owned indirect subsidiary of Lazard Ltd.

The tables below summarize net income attributable to noncontrolling interests for the three month and nine month periods ended September 30, 2015 and 2014 and noncontrolling interests as of September 30, 2015 and December 31, 2014 in the Company's condensed consolidated financial statements:

	Net Income			
	Attributable to Noncontrolling Interests			
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Edgewater	\$ 1,268	\$ 1,060	\$ 9,002	\$ 5,732
LAZ-MD Holdings				631
Other	1	1	2	2
Total	\$ 1,269	\$ 1,061	\$ 9,004	\$ 6,365

	Noncontrolling Interests As Of	
	September 30, 2015	December 31, 2014
Edgewater	\$ 56,498	\$ 62,584
Other	720	729
Total	\$ 57,218	\$ 63,313

Dividends Declared, October 2015 On October 21, 2015, the Board of Directors of Lazard Ltd declared a quarterly dividend of \$0.35 per share on its Class A common stock, payable on November 13, 2015, to stockholders of record on November 2, 2015.

12. INCENTIVE PLANS**Share-Based Incentive Plan Awards**

A description of Lazard Ltd's 2008 Plan and 2005 Plan and activity with respect thereto during the three month and nine month periods ended September 30, 2015 and 2014 is presented below.

Shares Available Under the 2008 Plan and the 2005 Plan

The 2008 Plan authorizes the issuance of shares of Class A common stock pursuant to the grant or exercise of stock options, stock appreciation rights, restricted stock units (RSUs) and other equity-based awards. Under the 2008 Plan, the maximum number of shares available is based on a formula that limits the aggregate number of shares that may, at any time, be subject to awards that are considered outstanding under the 2008 Plan to 30% of the then-outstanding shares of Class A common stock.

The 2005 Plan authorized the issuance of up to 25,000,000 shares of Class A common stock pursuant to the grant or exercise of stock options, stock appreciation rights, RSUs and other equity-based awards. Each RSU or similar award granted under the 2005 Plan represented a contingent right to receive one share of Class A common

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stock, at no cost to the recipient. The fair value of such awards was generally determined based on the closing market price of Class A common stock at the date of grant. The 2005 Plan expired in the second quarter of 2015, although awards granted under the 2005 Plan remain outstanding and continue to be subject to its terms.

The following reflects the amortization expense recorded with respect to share-based incentive plans within compensation and benefits expense (with respect to RSUs, performance-based restricted stock units (PRSUs) and restricted stock awards) and professional services expense (with respect to deferred stock units (DSUs)) within the Company's accompanying condensed consolidated statements of operations for the three month and nine month periods ended September 30, 2015 and 2014:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Share-based incentive awards:				
RSUs	\$ 38,156	\$ 39,091	\$ 129,490	\$ 132,307
PRSUs	10,207	4,957	24,819	11,657
Restricted Stock	3,635	2,637	19,088	13,493
DSUs	32	102	1,426	1,638
Total	\$ 52,030	\$ 46,787	\$ 174,823	\$ 159,095

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

For purposes of calculating diluted net income per share, RSUs, DSUs and restricted stock awards are included in the diluted weighted average shares of Class A common stock outstanding using the treasury stock method. PRSUs are included in the diluted weighted average shares of Class A common stock outstanding to the extent the performance conditions are met at the end of the reporting period, also using the treasury stock method.

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

RSUs and DSUs

RSUs generally require future service as a condition for the delivery of the underlying shares of Class A common stock (unless the recipient is then eligible for retirement under the Company's retirement policy) and convert into shares of Class A common stock on a one-for-one basis after the stipulated vesting periods. PRSUs, which are RSUs that are also subject to service-based vesting conditions, have additional performance conditions, and are described below. The grant date fair value of the RSUs, net of an estimated forfeiture rate, is amortized over the vesting periods or requisite service periods (generally one-third after two years, and the remaining two-thirds after the third year), and is adjusted for actual forfeitures over such period.

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RSUs generally include a dividend participation right that provides that during vesting periods each RSU is attributed additional RSUs (or fractions thereof) equivalent to any dividends paid on Class A common stock during such period. During the nine month periods ended September 30, 2015 and 2014, issuances of RSUs pertaining to such dividend participation rights and respective charges to retained earnings, net of estimated forfeitures (with corresponding credits to additional paid-in-capital), consisted of the following:

	Nine Months Ended September 30,	
	2015	2014
Number of RSUs issued	603,608	288,272
Charges to retained earnings, net of estimated forfeitures	\$ 30,340	\$ 13,489

Non-executive members of the Board of Directors (Non-Executive Directors) receive approximately 55% of their annual compensation for service on the Board of Directors and its committees in the form of DSUs, which resulted in 23,961 and 26,360 DSUs granted in connection with annual compensation during the nine month periods ended September 30, 2015 and 2014, respectively. Their remaining compensation is payable in cash, which they may elect to receive in the form of additional DSUs under the Directors Fee Deferral Unit Plan described below. DSUs are convertible into shares of Class A common stock at the time of cessation of service to the Board of Directors and, for purposes of calculating diluted net income per share, are included in the diluted weighted average shares of Class A common stock outstanding using the treasury stock method. DSUs include a cash dividend participation right equivalent to any ordinary quarterly dividends paid on Class A common stock.

The Company's Directors Fee Deferral Unit Plan permits the Non-Executive Directors to elect to receive additional DSUs in lieu of some or all of their cash fees. The number of DSUs granted to a Non-Executive Director pursuant to this election will equal the value of cash fees that the applicable Non-Executive Director has elected to forego pursuant to such election, divided by the market value of a share of Class A common stock on the date immediately preceding the date of the grant. During the nine month periods ended September 30, 2015 and 2014, 1,761 and 6,381 DSUs, respectively, had been granted pursuant to such Plan.

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

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The following is a summary of activity relating to RSUs and DSUs during the nine month periods ended September 30, 2015 and 2014:

	RSUs		DSUs	
	Units	Weighted Average Grant Date Fair Value	Units	Weighted Average Grant Date Fair Value
Balance, January 1, 2015	13,529,116	\$ 35.19	286,227	\$ 34.21
Granted (including 603,608 RSUs relating to dividend participation)	4,111,619	\$ 48.84	25,722	\$ 55.43
Forfeited	(461,297)	\$ 43.49		
Vested	(7,159,642)	\$ 30.87		
Balance, September 30, 2015	10,019,796	\$ 43.50	311,949	\$ 35.96
Balance, January 1, 2014	16,630,009	\$ 34.51	251,434	\$ 32.02
Granted (including 288,272 RSUs relating to dividend participation)	3,733,113	\$ 42.75	32,741	\$ 50.04
Forfeited	(210,458)	\$ 33.45		
Vested	(6,529,801)	\$ 37.86		
Balance, September 30, 2014	13,622,863	\$ 35.18	284,175	\$ 34.10

In connection with RSUs that vested during the nine month periods ended September 30, 2015 and 2014, the Company satisfied its minimum statutory tax withholding requirements in lieu of issuing 1,940,996 and 1,876,398 shares of Class A common stock in the respective nine month periods. Accordingly, 5,218,646 and 4,653,403 shares of Class A common stock held by the Company were delivered during the nine month periods ended September 30, 2015 and 2014, respectively.

As of September 30, 2015, estimated unrecognized RSU compensation expense was approximately \$158,948, with such expense expected to be recognized over a weighted average period of approximately 0.9 years subsequent to September 30, 2015.

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The following is a summary of activity related to shares of restricted Class A common stock associated with compensation arrangements during the nine month periods ended September 30, 2015 and 2014:

	Restricted Shares	Weighted Average Grant Date Fair Value
Balance, January 1, 2015	729,827	\$ 38.63
Granted	576,886	\$ 50.88
Forfeited	(45,500)	\$ 50.24
Vested	(512,516)	\$ 39.25
Balance, September 30, 2015	748,697	\$ 46.94
Balance, January 1, 2014	575,054	