UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2009

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

(Exact name of registrant as specified in its charter)

Bermuda	**98-0437848**
(State or Other Jurisdiction of Incorporation or Organization)	**(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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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.

Large Accelerated Filer x	Accelerated Filer ¨
Non-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 x

As of October 29, 2009, there were 92,155,650 shares of the registrant s Class A common stock (including 10,305,109 shares held by a subsidiary) and one share of the registrant s Class B common stock outstanding.

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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 has no material assets other than indirect ownership as of September 30, 2009 of approximately 74.5% 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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LAZARD LTD

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

SEPTEMBER 30, 2009 AND DECEMBER 31, 2008

(UNAUDITED)

(dollars in thousands, except for per share data)

	September 30, 2009	December 31, 2008
ASSETS		
Cash and cash equivalents	$ 795,074	$ 909,707
Cash deposited with clearing organizations and other segregated cash	19,678	14,583
Receivables net:		
Banks	7,104	229,092
Fees	400,570	391,251
Customers and other	109,807	81,806
Related parties	8,256	10,377
	525,737	712,526
Investments:		
Debt:		
U.S. Government and agencies (includes $126,369 of securities at amortized cost at September 30, 2009)	147,591	
Other (includes $10,096 of securities at amortized cost at September 30, 2009)	336,837	333,070
Equities	80,269	71,105
Other	272,549	215,792
	837,246	619,967
Property (net of accumulated amortization and depreciation of $236,621 and $213,249 at September 30, 2009 and December 31, 2008, respectively)	170,917	171,443
Goodwill and other intangible assets (net of accumulated amortization of $4,870 and $2,150 at September 30, 2009 and December 31, 2008, respectively)	311,705	175,144
Other assets	239,231	259,561
Total assets	$ 2,899,588	$ 2,862,931

See notes to condensed consolidated financial statements.

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LAZARD LTD

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (Continued)

SEPTEMBER 30, 2009 AND DECEMBER 31, 2008

(UNAUDITED)

(dollars in thousands, except for per share data)

	September 30, 2009	December 31, 2008
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Deposits and other customer payables	$ 286,580	$ 541,784
Accrued compensation and benefits	191,947	203,750
Senior debt	1,086,850	1,087,750
Capital lease obligations	25,905	26,825
Related party payables	19,113	37,211
Other liabilities	514,600	503,859
Subordinated debt	150,000	150,000
Total liabilities	2,274,995	2,551,179
Commitments and contingencies		
STOCKHOLDERS EQUITY		
Preferred stock, par value $.01 per share; 15,000,000 shares authorized:		
Series A - 26,883 and 31,745 shares issued and outstanding at September 30, 2009 and December 31, 2008, respectively		
Series B - no shares issued and outstanding		
Common stock:		
Class A, par value $.01 per share (500,000,000 shares authorized; 92,155,650 and 76,294,912 shares issued at September 30, 2009 and December 31, 2008, respectively, including shares held by a subsidiary as indicated below)	922	763
Class B, par value $.01 per share (1 share authorized, issued and outstanding at September 30, 2009 and December 31, 2008)		
Additional paid-in-capital	585,246	429,694
Retained earnings	205,483	221,410
Accumulated other comprehensive loss, net of tax	(26,501)	(79,435)
	765,150	572,432
Less - Class A common stock held by a subsidiary, at cost (10,330,199 and 9,376,162 shares at September 30, 2009 and December 31, 2008, respectively)	(337,480)	(321,852)
Total Lazard Ltd stockholders equity	427,670	250,580
Noncontrolling interests	196,923	61,172
Total stockholders equity	624,593	311,752
Total liabilities and stockholders equity	$ 2,899,588	$ 2,862,931

See notes to condensed consolidated financial statements.

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LAZARD LTD

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2009 AND 2008

(UNAUDITED)

(dollars in thousands, except for per share data)

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
REVENUE				
Investment banking and other advisory fees	$ 252,538	$ 260,708	$ 650,327	$ 736,863
Money management fees	149,102	155,920	368,346	479,701
Interest income	8,642	23,590	21,954	67,527
Other	27,992	(754)	76,232	7,869
Total revenue	438,274	439,464	1,116,859	1,291,960
Interest expense	26,559	33,644	81,124	110,673
Net revenue	411,715	405,820	1,035,735	1,181,287
OPERATING EXPENSES				
Compensation and benefits	250,914	432,777	693,725	906,359
Occupancy and equipment	23,690	22,872	63,774	74,643
Marketing and business development	14,070	18,368	43,311	64,052
Technology and information services	17,592	17,683	49,670	51,013
Professional services	11,823	16,017	31,883	45,521
Fund administration and outsourced services	10,272	8,569	26,075	21,712
Amortization of intangible assets related to acquisitions	2,032	507	2,720	4,252
Restructuring			62,550	
Other	8,157	23,740	22,685	42,688
Total operating expenses	338,550	540,533	996,393	1,210,240
OPERATING INCOME (LOSS)	73,165	(134,713)	39,342	(28,953)
Provision for income taxes	19,968	8,304	29,312	31,254
NET INCOME (LOSS)	53,197	(143,017)	10,030	(60,207)
LESS - NET INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTERESTS	15,779	(66,060)	(2,079)	(25,366)
NET INCOME (LOSS) ATTRIBUTABLE TO LAZARD LTD	$ 37,418	$ (76,957)	$ 12,109	$ (34,841)

ATTRIBUTABLE TO LAZARD LTD CLASS A COMMON STOCKHOLDERS:

WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:				
Basic	80,756,718	66,002,049	75,278,905	57,466,364
Diluted	131,468,085	66,002,049	75,278,905	57,466,364
NET INCOME (LOSS) PER SHARE OF COMMON STOCK:				
Basic	$0.47	$(1.17)	$0.16	$(0.61)
Diluted	$0.41	$(1.17)	$0.16	$(0.61)
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	$0.125	$ 0.10	$0.325	$ 0.30

See notes to condensed consolidated financial statements.

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LAZARD LTD

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2009 AND 2008

(UNAUDITED)

(dollars in thousands)

	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 10,030	$ (60,207)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Noncash items included in net income (loss):		
Depreciation and amortization of property	16,781	15,338
Amortization of deferred expenses, stock units and interest rate hedge	224,797	186,994
Amortization of intangible assets related to acquisitions	2,720	4,252
Gain on extinguishment of debt	(258)	
Stock portion of charge related to LAM Merger		64,305
(Increase) decrease in operating assets:		
Cash deposited with clearing organizations and other segregated cash	(4,267)	13,989
Receivables-net	196,158	(129,862)
Investments	(40,830)	453,143
Other assets	13,508	(45,855)
Increase (decrease) in operating liabilities:		
Deposits and other payables	(280,858)	36,471
Accrued compensation and benefits and other liabilities	(9,886)	(379,296)
Net cash provided by operating activities	127,895	159,272
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of businesses in 2009, net of cash acquired of $23,280, and equity method investments	(22,500)	(74,855)
Additions to property	(8,579)	(12,444)
Disposals of property	896	470
Purchases of held-to-maturity securities	(135,950)	
Purchases of available-for-sale securities	(3,399)	(146,959)
Proceeds from sales and maturities of available-for-sale securities	54,467	91,430
Net cash used in investing activities	(115,065)	(142,358)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from:		
Issuance of Class A common stock		437,500
Other financing activities	56	7,592
Payments for:		
Senior borrowings	(635)	(437,488)
Capital lease obligations	(2,084)	(2,317)
Distributions to noncontrolling interests	(46,033)	(62,382)
Purchase of common membership interests from members of LAZ-MD Holdings	(13,285)	(2,559)

Purchase of Class A common stock	(50,479)	(209,353)
Class A common stock dividends	(23,216)	(16,184)
Settlement of vested RSUs and DSUs	(12,291)	(4,105)
Other financing activities	(27)	(6)
Net cash used in financing activities	(147,994)	(289,302)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	20,531	(8,508)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(114,633)	(280,896)
CASH AND CASH EQUIVALENTS January 1	909,707	1,055,844
CASH AND CASH EQUIVALENTS September 30	$ 795,074	$ 774,948
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Supplemental investing non-cash transaction:		
Preferred stock and Class A common stock issuable in connection with acquisitions	$ 4,390	$ 9,282

See notes to condensed consolidated financial statements.

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LAZARD LTD

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2009

(UNAUDITED)

(dollars in thousands)

	Series A Preferred Stock		Common Stock				Accumulated Other Comprehensive Loss,	Class A Common Stock Held By A Subsidiary		Total Lazard Ltd		Total
	Shares	$	Shares(*)	$	Additional Paid-in-Capital	Retained Earnings	Net of Tax	Shares	$	Stockholders Equity	Noncontrolling Interests	Stockholders Equity
Balance January 1, 2009	**31,745**	**$**	**76,294,913**	**$ 763**	**$ 429,694**	**$ 221,410**	**$ (79,435)**	**9,376,162**	**$ (321,852)**	**$ 250,580**	**$ 61,172**	**$ 311,752**
Comprehensive income (loss):												
Net income (loss)						12,109				12,109	(2,079)	10,030
Other comprehensive income (loss) - net of tax:												
Currency translation adjustments							48,074			48,074	16,450	64,524
Amortization of interest rate hedge							602			602	206	808
Available-for-sale securities:												
Net unrealized gain							17,479			17,479	5,983	23,462
Adjustment for items reclassified to earnings							894			894	306	1,200
Employee benefit plans:												
Net actuarial gain							841			841	288	1,129
Adjustment for items reclassified to earnings							(278)			(278)	(95)	(373)
Comprehensive income										79,721	21,059	100,780
Class A common stock issued/issuable in connection with business acquisitions and LAM Merger and related amortization			1,473,866	15	20,190					20,205	10,531	30,736
Conversion of Series A preferred stock into Class A common stock	(4,862)		479,732	5	(5)							
Amortization of stock units					162,318					162,318	55,112	217,430
RSU and DSU dividend-equivalents					4,793	(4,820)				(27)		(27)
Class A common stock dividends						(23,216)				(23,216)		(23,216)
Purchase of Class A common stock								1,984,997	(50,479)	(50,479)		(50,479)
Delivery of Class A common stock for settlement of vested RSUs					(47,142)			(1,030,960)	34,851	(12,291)		(12,291)
Repurchase of common membership interests from					(9,898)					(9,898)	(3,387)	(13,285)

LAZ-MD Holdings											
Class A common stock issued in exchange for Lazard Group common membership interests, including in connection with secondary offerings		13,907,140	139	(139)							
Acquisitions of and distributions to noncontrolling interests										63,193	63,193
Adjustments related to noncontrolling interests				25,435		(14,678)			10,757	(10,757)	
Balance September 30, 2009	**26,883**	**$ 92,155,651**	**$ 922**	**$ 585,246**	**$ 205,483**	**$ (26,501)**	**10,330,199**	**$ (337,480)**	**$ 427,670**	**$ 196,923**	**$ 624,593**

(*) Includes 76,294,912 and 92,155,650 shares of the Company s Class A common stock issued at January 1, 2009 and September 30, 2009, respectively, and 1 share of the Company s Class B common stock at each such date.

See notes to condensed consolidated financial statements.

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LAZARD LTD

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2008

(UNAUDITED)

(dollars in thousands)

	Preferred Stock				Common Stock		Additional Paid-in- Capital	Retained Earnings	Accumulated Other Comprehensive Income, Net of Tax	Class A Common Stock Held By A Subsidiary		Total Lazard Ltd Stockholders Equity	Noncontrolling Interests	Total Stockholde
	Series A		Series B											
	Shares	$	Shares	$	Shares(*)	$				Shares	$			Equity
lance - January 1, 2008	**36,607**	**$**	**277**	**$**	**51,745,826**	**$ 517**	**$ (161,924)**	**$ 248,551**	**$ 52,491**	**1,712,846**	**$ (69,296)**	**$ 70,339**	**$ 52,775**	**$ 123,11**
djustment to reclass ncontrolling interest deficit in cordance with SFAS No. 160							42,886		(28,766)			14,120	(14,120)	
lance, as adjusted - January 1, 08	36,607		277		51,745,826	517	(119,038)	248,551	23,725	1,712,846	(69,296)	84,459	38,655	123,11
mprehensive income (loss):														
t loss								(34,841)				(34,841)	(25,366)	(60,20
her comprehensive income ss) - net of tax:														
rrency translation justments									(33,595)			(33,595)	(20,422)	(54,01
mortization of interest rate dge									513			513	312	82
ailable-for-sale securities:														
t unrealized loss									(9,714)			(9,714)	(5,906)	(15,62
djustment for items classified to earnings									3			3	2	
nployee benefit plans:														
t actuarial gain									58			58	35	93
djustment for items classified to earnings									(423)			(423)	(258)	(68
mprehensive income (loss)												(77,999)	(51,603)	(129,60
ass A common stock ued/issuable in connection th business acquisitions and ated amortization					203,890	2	4,013					4,015	8,117	12,13
ass A common stock issuable connection with LAM Merger							64,305					64,305		64,30
nversion of Series A and ries B preferred stock into ass A common stock	(4,632)		(277)		430,169	4	(4)							
mortization of stock units							111,862					111,862	67,236	179,09
SU and DSU vidend-equivalents							5,159	(5,165)				(6)		(6
ass A common stock vidends								(16,184)				(16,184)		(16,18
rchase of Class A common ock										5,734,413	(209,353)	(209,353)		(209,35
elivery of Class A common ock for settlement of vested SUs and DSUs							(27,968)			(624,815)	23,863	(4,105)		(4,10

epurchase of common embership interests from AZ-MD Holdings						(1,591)					(1,591)	(968)	(2,559
ass A common stock issued in nnection with the:													
ttlement of the purchase ntracts forming part of the SUs				14,582,750	146	271,952					272,098	165,402	437,500
change for Lazard Group mmon membership interests, cluding in connection with condary offering				9,046,577	91	(91)							
stributions to noncontrolling erests												(62,382)	(62,382
her						223					223	136	359
djustments related to ncontrolling interests						57,890		7,718			65,608	(65,608)	
lance - September 30, 2008	**31,975**	**$**	**$**	**76,009,212**	**$ 760**	**$ 366,712**	**$ 192,361**	**$ (11,715)**	**6,822,444**	**$ (254,786)**	**$ 293,332**	**$ 98,985**	**$ 392,317**

(*) Includes 51,745,825 and 76,009,211 shares of the Company s Class A common stock issued at January 1, 2008 and September 30, 2008, respectively, and 1 share of the Company s Class B common stock at each such date.

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 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 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.

Lazard Ltd indirectly held approximately 74.5% and 62.4% of all outstanding Lazard Group common membership interests as of September 30, 2009 and December 31, 2008, respectively. Lazard Ltd, through its control of the managing members of Lazard Group, controls Lazard Group. Lazard Group is governed by an Operating Agreement dated as of May 10, 2005, as amended (the Operating Agreement).

The Company s sole operating asset is its indirect ownership of common membership interests of Lazard Group and its managing member interest of Lazard Group, whose principal operating activities are included in two business segments:

- Financial Advisory, which includes providing advice on mergers and acquisitions (M&A) and strategic advisory matters, restructurings and capital structure advisory services, capital raising and other transactions, and

- Asset Management, which includes the management of equity and fixed income securities, alternative investments and private equity funds.

In addition, the Company records selected other activities in its Corporate segment, including management of cash, certain investments and the commercial banking activities of Lazard Group s Paris-based Lazard Frères Banque SA (LFB). LFB is a registered bank regulated by the Banque de France and its primary operations include asset and liability management for Lazard Group s businesses in France through its money market desk and commercial banking operations, deposit taking and, to a lesser extent, financing activities and custodial oversight over assets of various clients. LFB also engages in underwritten offerings of securities in France. The Company also allocates outstanding indebtedness to its Corporate segment.

Basis of Presentation

The accompanying condensed consolidated financial statements of Lazard Ltd have been prepared pursuant to the rules and regulations of the U.S. 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, 2008 (the Form 10-K). The accompanying December 31, 2008 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. Although these estimates are based on management s knowledge of current events and actions that Lazard may

LAZARD LTD

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

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

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, 2009 are not necessarily indicative of the results to be expected for any future period or the full fiscal year. Any material events or transactions that occurred subsequent to September 30, 2009 through the date of filing of this Quarterly Report on Form 10-Q were reviewed for purposes of determining whether any adjustments or additional disclosures were required to be made to the accompanying condensed consolidated financial statements.

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); its French limited liability companies Compagnie Financière Lazard Frères SAS (CFLF) along with its subsidiaries, LFB and Lazard Frères Gestion SAS (LFG) and Maison Lazard SAS and its subsidiaries; and Lazard & Co., Limited (LCL), through Lazard & Co., Holdings Limited, an English private limited company (LCH), together with their jointly owned affiliates and subsidiaries.

The Company s policy is to consolidate (i) entities in which it has a controlling financial interest, (ii) variable interest entities (VIEs) where the Company has a variable interest and is deemed to be the primary beneficiary and (iii) limited partnerships where the Company is the general partner, unless the presumption of control is overcome. When the Company does not have a controlling interest in an entity, but exerts significant influence over the 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. All material intercompany transactions and balances have been eliminated.

Certain prior period amounts have been reclassified to conform to the manner of presentation in the current period, including those amounts pertaining to noncontrolling (minority) interests in subsidiaries as required by new accounting guidance issued by the Financial Accounting Standards Board (the FASB) (see Note 2 of Notes to Condensed Consolidated Financial Statements).

2. *RECENT ACCOUNTING DEVELOPMENTS*

Fair Value Measurements - On January 1, 2008, the Company adopted, on a prospective basis, the required provisions of new accounting guidance issued by the FASB on fair value measurements, which, among other things, defined fair value, established a framework for measuring fair value and enhanced disclosure requirements about fair value measurements with respect to its financial assets and financial liabilities. On January 1, 2009, the Company adopted the remaining provisions of the new guidance issued, as permitted by an amendment which delayed the effective date of the new accounting guidance for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). These nonfinancial items included, for example, reporting units required to be measured at fair value for annual goodwill impairment testing purposes and nonfinancial assets acquired and liabilities assumed in a business combination. Neither the adoption of the required provisions of the new guidance, nor the subsequent adoption of the remaining provisions of the new guidance as permitted by the amendment, had a material impact on the Company s consolidated financial statements.

On April 1, 2009, the Company adopted, on a prospective basis, additional accounting guidance issued by the FASB on fair value measurements. The additional accounting guidance assists in the determination of fair value for securities or other financial assets when the volume and level of activity for such items have

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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)

significantly decreased when compared with normal market activity and there is no longer sufficient frequency or volume to provide pricing information on an ongoing basis. The additional accounting guidance also assists in determining whether or not a transaction is orderly and whether or not a transaction or quoted price can be considered in the determination of fair value. Accordingly, the additional accounting guidance does not apply to quoted prices for identical assets or liabilities in active markets categorized as Level 1 in the fair value measurement hierarchy, and also requires that additional fair value disclosures be included on an interim basis. See Note 5 of Notes to Condensed Consolidated Financial Statements for the additional disclosures provided pursuant to the additional accounting guidance. The adoption of additional guidance regarding fair value measurements did not materially impact the Company s consolidated financial statements.

Business Combinations - On January 1, 2009, the Company adopted, on a prospective basis, new accounting guidance issued by the FASB on business combinations. The new accounting guidance supersedes or amends other related authoritative literature although it retains the fundamental requirements that the acquisition method of accounting (previously referred to as the purchase method) be used for all business combinations and that an acquirer be identified for each business combination. The new guidance also establishes principles and requirements for how the acquirer (a) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in an acquiree; (b) recognizes and measures the goodwill acquired in a business combination or a gain from a bargain purchase; and (c) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of a business combination. The new guidance also requires the acquirer to expense, as incurred, costs relating to any acquisitions. The adoption of the new accounting guidance did not have an impact on the Company s consolidated financial statements. Prospectively, all acquisitions will conform to the new accounting guidance.

On April 1, 2009, the Company adopted amended accounting guidance issued by the FASB for business combinations. The amended guidance clarifies the initial recognition and measurement, subsequent measurement and accounting and disclosure of assets and liabilities arising from contingencies in a business combination. The adoption of the amended guidance did not materially impact the Company s consolidated financial statements.

Noncontrolling Interests - On January 1, 2009, the Company adopted, on a retrospective basis, new presentation and disclosure requirements issued by the FASB with respect to noncontrolling interests in consolidated financial statements. Additional guidance was also issued to establish accounting and reporting standards for the noncontrolling (minority) interest in a subsidiary and for the deconsolidation of a subsidiary. The new accounting guidance clarified that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. In addition, the new guidance also changes the way the consolidated income statement is presented by requiring consolidated net income to include amounts attributable to both the parent and the noncontrolling interests with separate disclosure of each component on the face of the consolidated income statement. The new accounting guidance does not, however, impact the calculation of net income per share, as such calculation will continue to be based on amounts attributable to the parent.

Derivative Instruments and Hedging Activities - On January 1, 2009, the Company adopted, on a prospective basis, new disclosure guidance issued by the FASB regarding derivative instruments and hedging activities. The new guidance enhances the current disclosure framework for derivative instruments and hedging activities, including how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for and how derivative instruments and related hedged items affect an entity s financial position, financial performance and cash flows. See Note 6 of Notes to Condensed Consolidated Financial Statements for the additional disclosures provided pursuant to the new guidance. The adoption of the new disclosure guidance did not materially impact the Company s consolidated financial statements.

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Fair Value Estimates for Certain Financial Instruments - On April 1, 2009, the Company adopted, on a prospective basis, additional disclosure requirements issued by the FASB regarding the fair value of certain financial instruments. The additional disclosure requirements increase the frequency of qualitative and quantitative information about fair value estimates for all financial instruments not remeasured on the balance sheet at fair value by requiring this information on an interim basis. The adoption of the additional disclosure requirements did not have a material impact on the Company s consolidated financial statements. See Note 10 of Notes to Condensed Consolidated Financial Statements.

Other-Than-Temporary Impairments of Debt Securities - On April 1, 2009, the Company adopted, on a prospective basis, new accounting guidance issued by the FASB with respect to the recognition and presentation of other-than-temporary impairments pertaining to debt securities. The new accounting guidance requires greater clarity about the credit and non-credit components of debt securities that are not expected to be sold and whose fair value is below amortized cost, and also requires increased disclosures regarding expected cash flows, credit losses and an aging of securities with unrealized losses. The adoption of the new accounting guidance did not have a material impact on the Company s consolidated financial statements. See Note 4 of Notes to Condensed Consolidated Financial Statements.

Employers Postretirement Benefit Plans - In December 2008, the FASB amended its disclosure requirements with respect to employers postretirement benefit plan assets by requiring more detailed disclosures about an employer s plan assets, including an employer s investment strategies, major categories of plan assets, concentrations of risk within plan assets and valuation techniques used to measure the fair value of plan assets. The disclosures about plan assets required by this amendment are required to be provided for fiscal years ending after December 15, 2009. Upon initial application, the provisions of this amendment are not required for earlier periods that are presented for comparative purposes. Earlier application of the provisions of this amendment is permitted. We do not anticipate that the adoption of this amendment in 2009 will have a material impact on the Company s consolidated financial statements.

VIEs - In June 2009, the FASB amended its guidance on VIEs. The amended guidance changes how a company determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. It also requires a company to provide additional disclosures about its involvement with VIEs and any significant changes in risk exposure due to that involvement. The requirements of the amended accounting guidance are effective for interim and annual periods beginning after November 15, 2009 and early adoption is prohibited. The Company is currently assessing the impact the amended accounting guidance will have on its consolidated financial statements.

3. RECEIVABLES NET

Receivables net is comprised of receivables from banks, fees, customers and other and related parties.

Receivables from banks represent those related to LFB s short-term inter-bank deposits. The level of these inter-bank deposits is primarily driven by the level of LFB customer and bank-related interest-bearing time and demand deposits, which can fluctuate significantly on a daily basis. As the amount of such deposits held at LFB changes, there is generally a corresponding, but indirect, impact on the level of short-term inter-bank deposits.

Customers and other receivables at September 30, 2009 and December 31, 2008 include $4,517 and $13,109, respectively, of loans by LFB to managing directors and employees in France that are made in the ordinary course of business at market terms and $7,797 and $16,444, respectively, pertaining to a receivable from the Reserve

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Primary Fund (the Primary Fund), a money market fund based in New York that is engaged in the liquidation of its assets for distribution to investors under the supervision of the SEC. In September 2008, the Primary Fund, which held certain securities issued by Lehman Brothers Holdings, Inc. (LBI), temporarily suspended the payment of redemption proceeds to investors. At September 15, 2008, the Company had $77,713 of investments in the Primary Fund. Through September 30, 2009, the Company had recovered partial distributions from the Primary Fund aggregating $69,916, and, on October 2, 2009, the Company received an additional distribution of $1,517. Following the events of September 2008, various investors in the Primary Fund commenced litigations against the Primary Fund, certain officers and trustees of the Primary Fund and certain related entities. On February 26, 2009, the Primary Fund announced that it would set aside a special reserve of $3.5 billion of its assets to cover damages and expenses claimed in actual and potential litigations against it by Primary Fund investors. On May 5, 2009, the SEC asked the Court overseeing the Reserve Fund-related litigation to enjoin the Primary Fund s plan to set aside a special reserve and to compel the Primary Fund to make a *pro rata* distribution of its assets to the Fund s remaining investors. On September 23, 2009, the Court held a hearing to consider the SEC s proposal and the objections thereto. The Company expects to receive an amount approximating the carrying value of its receivable relating to its investment in the Primary Fund, but it is possible that the process of liquidating the Primary Fund may ultimately result in some diminution in value of the Company s investment position. The Company is closely monitoring the situation and reserving all of its rights.

Receivables are stated net of an estimated allowance for doubtful accounts of $14,115 and $15,883 at September 30, 2009 and December 31, 2008, respectively, for past due amounts and for specific accounts deemed uncollectible. The Company recorded bad debt expense of $1,148 and $4,770 for the three month and nine month periods ended September 30, 2009, respectively, and $2,451 and $8,179 for the three month and nine month periods ended September 30, 2008, respectively. In addition, the Company recorded charge-offs, foreign currency translation and other adjustments, which resulted in a net decrease to the allowance for doubtful accounts of $2,043 and $6,538 for the three month and nine month periods ended September 30, 2009, respectively, and $1,341 and $1,728 for the three month and nine month periods ended September 30, 2008, respectively. At September 30, 2009 and December 31, 2008, the Company had $15,803 and $17,916, respectively, of receivables past due in excess of 180 days or deemed uncollectible.

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4. INVESTMENTS

The Company s investments and securities sold, not yet purchased consist of the following at September 30, 2009 and December 31, 2008:

	September 30, 2009	December 31, 2008
Debt:		
U.S. Government and agencies	$ 147,591	$
Non-U.S. Governments and agencies	43,723	36,396
Corporate	293,114	296,674
	484,428	333,070
Equities	80,269	71,105
Other:		
Interest in LAM alternative asset management funds:		
General Partner (GP) interests owned by Lazard	48,065	35,300
GP interests consolidated but not owned by Lazard	13,908	20,866
Private equity:		
Private equity investments owned by Lazard	100,156	83,931
Private equity investments consolidated but not owned by Lazard	35,392	
Equity method	75,028	75,695
	272,549	215,792
Total investments	837,246	619,967
Less:		
Debt at amortized cost	136,465	
Equity method investments	75,028	75,695
Investments, at fair value	$ 625,753	$ 544,272
Securities sold, not yet purchased (included in other liabilities)	$ 5,078	$ 6,975

Debt investments include U.S. Government and agency securities, as well as corporate and non-U.S. Government securities that are primarily held by LFB, which typically holds them long-term, as part of its asset-liability management program. Debt investments held by LFB primarily consists of fixed and floating rate European corporate and French government debt securities. Debt investments at September 30, 2009 and

December 31, 2008 were as follows:

	September 30, 2009	December 31, 2008
Trading securities:		
U.S. Government and agencies	$ 21,222	$
Non-U.S. Governments and agencies	33,627	36,396
Corporate	1,565	7,573
	56,414	43,969
Available-for-sale securities:		
Corporate	291,549	289,101
Held-to-maturity securities:		
U.S. Government and agencies	126,369	
Non-U.S. Government and agencies	10,096	
	136,465	
Total debt securities	$ 484,428	$ 333,070

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Effective July 1, 2008, certain debt securities held by LFB with a carrying value of $236,999 on that date, which were previously designated as trading securities, were re-designated as available-for-sale securities. Such re-designation represented a non-cash transaction between trading and available-for-sale securities.

The fair value and amortized cost basis pertaining to debt securities classified as available-for-sale at September 30, 2009, by maturity date/first call date, are as follows:

Maturity Date/First Call Date	Fair Value	Amortized Cost Basis
Within one year	$ 75,888	$ 78,083
After 1 year through 5 years	138,623	146,890
After 5 years through 10 years	62,753	77,401
After 10 years	14,285	14,934
	$ 291,549	$ 317,308

Debt investments include corporate perpetual securities that are callable. Such securities are listed in the table above based on their respective call dates. All other available-for-sale securities are listed in the table based on their contractual maturities.

Debt securities classified as available-for-sale at September 30, 2009 that are in an unrealized loss position are as follows:

Securities in a Continuous Loss Position for Less than 12 Months		Securities in a Continuous Loss Position for 12 Months or Longer	
Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
$13,258	$83	$196,104	$26,988

The unrealized loss for securities in a continuous loss position for 12 months or longer has been reduced by an other-than-temporary impairment charge of $528 and $1,444 recognized in other-revenue on the condensed consolidated statements of operations during the three month and nine month periods ended September 30, 2009, respectively. Such amounts represent management s estimate of the credit loss component of debt securities whose fair value is below amortized cost.

LFB does not intend to sell its debt securities classified as available-for-sale , nor is it more likely than not that LFB will be required to sell such debt securities before their anticipated recovery. Based on the qualitative and quantitative analysis performed, debt securities in unrealized loss positions were not considered to be other-than-temporarily impaired at September 30, 2009, except for the amounts recognized above.

The fair value and amortized cost basis pertaining to debt securities classified as held-to-maturity at September 30, 2009, by maturity date, are as follows:

Maturity Date	**Fair Value**	**Amortized Cost Basis**
After 1 year through 5 years	$ 138,731	$ 136,465

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There were no debt securities classified as held-to-maturity at September 30, 2009 that were in an unrecognized loss position.

Equities principally represent the Company s investments in marketable equity securities of large-, mid- and small-cap domestic, international and global companies to seed new Asset Management products and includes investments in public and private asset management funds managed both by LAM and third-party asset managers.

In 2008, LFNY was a party to a Prime Brokerage Agreement with LBI for certain accounts involving investment strategies managed by LAM. On September 9, 2008, LAM requested a transfer of such accounts, of which $11,368 was not received. On September 15, 2008, LBI, the ultimate parent company in the Lehman group, filed for protection under Chapter 11 of the United States Bankruptcy Code and a number of Lehman group entities in the UK entered into administration proceedings under the Insolvency Act 1986. In addition, the Securities Investor Protection Corporation (SIPC) commenced liquidation proceedings on September 19, 2008 pursuant to the Securities Investor Protection Act of 1970, as amended, with respect to LBI. The Chapter 11 filing, Insolvency Act Administration and SIPC proceedings exposed Lazard to possible loss due to counterparty credit and other risk. During the three month period ended September 30, 2008, the Company reserved the entire amount of such possible loss and through September 30, 2009, no funds have been received by the Company. We continue to actively seek recovery of all amounts.

Interests in LAM alternative asset management funds represent (i) GP interests owned by Lazard in LAM-managed alternative asset management funds and (ii) GP interests consolidated by the Company pertaining to noncontrolling interests in LAM alternative asset management funds. Such noncontrolling interests in LAM alternative asset management funds, which represent GP interests held directly by certain of our LAM managing directors or employees of the Company, are deemed to be controlled by, and therefore consolidated by, the Company in accordance with U.S. GAAP. Noncontrolling interests are required to be presented within stockholders equity on the condensed consolidated statements of financial condition (see Note 12 of Notes to Condensed Consolidated Financial Statements).

Private equity investments owned by Lazard are primarily comprised of investments in private equity funds and direct private equity interests. Such investments primarily include (i) a mezzanine fund, which invests in mezzanine debt of a diversified selection of small- to mid-cap European companies; (ii) Corporate Partners II Limited (CP II), a private equity fund targeting significant noncontrolling-stake investments in established public and private companies; and (iii) Lazard Senior Housing Partners LP (Senior Housing), which acquires companies and assets in the senior housing, extended-stay hotel and shopping center sectors.

Private equity investments consolidated but not owned by Lazard are related solely to Lazard s July 2009 acquisition of the Edgewater Funds (Edgewater) management vehicles. The Edgewater Funds are focused on buyout and growth equity investments in middle market companies.

Equity method investments include investments made in the first quarter of 2008 in Sapphire Industrials Corp. (Sapphire) (see Note 11 of Notes to Condensed Consolidated Financial Statements) and Merchant Bankers Asociados (MBA).

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5. FAIR VALUE MEASUREMENTS

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 quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in non-active markets or 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 management s 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 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.

Principally all of the Company s investments in corporate debt securities are considered Level 2 investments with such fair value based on observable data, principally broker quotes as provided by external pricing services. The Company s other debt securities at fair value are considered Level 1 investments with such fair value based on unadjusted quoted prices in active markets.

The fair value of equities is principally classified as Level 1 or Level 2 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; public asset management funds are classified as Level 1 and are valued based on the reported closing price for the fund; and investments in private asset management funds are classified as Level 2 and are primarily valued based on information provided by fund managers and, secondarily, from external pricing services to the extent managed by LAM.

The fair value of interests in LAM alternative asset management funds is classified as Level 2 and is based on information provided by external pricing services.

The fair value of private equity investments is classified as Level 3 and is based on financial statements provided by fund managers, appraisals and internal valuations.

Where information reported is based on broker quotes, the Company generally obtains one quote/price per instrument. In some cases, quotes related to corporate bonds obtained through external pricing services represent the average of several broker quotes.

Where information reported is based on data received from fund managers or from external pricing services, the Company reviews such information to ascertain at which level within the fair value hierarchy to classify the investment.

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The following tables present the categorization of investments and certain other assets and liabilities measured at fair value on a recurring basis as of September 30, 2009 and December 31, 2008 into a three-level fair value hierarchy in accordance with fair value measurement disclosure requirements:

	Fair Value Measurements on a Recurring Basis As of September 30, 2009			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Investments:				
Debt (excluding debt at amortized cost)	$ 54,973	$ 292,990	$	$ 347,963
Equities	62,467	17,498	304	80,269
Other (excluding equity method investments):				
Interest in LAM alternative asset management funds:				
GP interests owned by Lazard		48,065		48,065
GP interests consolidated by Lazard		13,908		13,908
Private equity:				
Private equity investments owned by Lazard			100,156	100,156
Private equity investments consolidated but not owned by Lazard			35,392	35,392
Derivatives	63	2,141		2,204
Total Assets	$ 117,503	$ 374,602	$ 135,852	$ 627,957
Liabilities:				
Securities sold, not yet purchased	$ 5,078	$	$	$ 5,078
Derivatives		21,142		21,142
Total Liabilities	$ 5,078	$ 21,142	$	$ 26,220

	Fair Value Measurements on a Recurring Basis As of December 31, 2008			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Investments:				
Debt	$ 43,969	$ 289,101	$	$ 333,070
Equities	54,108	14,544	2,453	71,105
Other (excluding equity method investments):				
Interest in LAM alternative asset management funds:				
GP interests owned by Lazard		35,300		35,300

GP interests consolidated by Lazard		20,866		20,866
Private equity investments owned by Lazard			83,931	83,931
Derivatives		4,661		4,661
Total Assets	$ 98,077	$ 364,472	$ 86,384	$ 548,933
Liabilities:				
Securities sold, not yet purchased	$ 6,975	$	$	$ 6,975
Derivatives		43,990		43,990
Total Liabilities	$ 6,975	$ 43,990	$	$ 50,965

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The following tables provide a summary of changes in fair value of the Company s Level 3 assets and liabilities for the three month and nine month periods ended September 30, 2009 and 2008.

	Level 3 Assets and Liabilities For the Three Month Period Ended September 30, 2009				
	Beginning Balance	Net Unrealized/ Realized Gains (Losses) Included In Revenue Other	Net Purchases, Issuances and Settlements/ Acquisitions	Foreign Currency Translation Adjustments	Ending Balance
Level 3 Assets:					
Investments:					
Equities	$ 297	$	$ 3	$ 4	$ 304
Private equity:					
Private equity investments owned by Lazard	93,530	1,773	3,344	1,509	100,156
Private equity investments consolidated but not owned by Lazard		1,976	33,416		35,392
Total Level 3 Assets	$ 93,827	$ 3,749	$ 36,763	$ 1,513	$ 135,852

	Level 3 Assets and Liabilities For the Three Month Period Ended September 30, 2008				
	Beginning Balance	Net Unrealized/ Realized Gains (Losses) Included In Revenue Other	Net Purchases, Issuances and Settlements/ Acquisitions	Foreign Currency Translation Adjustments	Ending Balance
Level 3 Assets:					
Investments:					
Equities	$ 4,465	$ (372)	$(226)	$ (391)	$ 3,476
Private equity investments owned by Lazard	96,055	(920)	3,020	(4,377)	93,778
Total Level 3 Assets	$ 100,520	$ (1,292)	$2,794	$ (4,768)	$ 97,254

	Level 3 Assets and Liabilities For the Nine Month Period Ended September 30, 2009				
		Net Unrealized/ Realized Gains (Losses) Included In		Net Purchases, Issuances and Settlements/	Foreign Currency Translation
	Beginning Balance	Revenue	Other	Acquisitions	Adjustments