Lazard Ltd
Form 10-Q
July 27, 2015
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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 June 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

(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 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 x 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 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 July 17, 2015, there were 129,766,091 shares of the Registrant s Class A common stock outstanding (including 3,678,861 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 June 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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LAZARD LTD

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

JUNE 30, 2015 AND DECEMBER 31, 2014

(UNAUDITED)

(dollars in thousands, except for per share data)

	June 30, 2015	December 31, 2014
ASSETS		
Cash and cash equivalents	$ 701,172	$ 1,066,580
Deposits with banks and short-term investments	287,677	207,760
Cash deposited with clearing organizations and other segregated cash	33,726	43,290
Receivables (net of allowance for doubtful accounts of $21,071 and $23,540 at June 30, 2015 and December 31, 2014, respectively):		
Fees	443,682	483,681
Customers and other	57,849	73,915
	501,531	557,596
Investments	557,751	620,352
Property (net of accumulated amortization and depreciation of $255,463 and $256,286 at June 30, 2015 and December 31, 2014, respectively)	213,745	222,569
Goodwill and other intangible assets (net of accumulated amortization of $54,629 and $51,754 at June 30, 2015 and December 31, 2014, respectively)	335,969	347,438
Deferred tax assets	1,255,440	59,041
Other assets	264,930	207,610
Total Assets	$ 4,151,941	$ 3,332,236

See notes to condensed consolidated financial statements.

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LAZARD LTD

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

JUNE 30, 2015 AND DECEMBER 31, 2014

(UNAUDITED)

(dollars in thousands, except for per share data)

	June 30, 2015	December 31, 2014
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Deposits and other customer payables	$ 375,835	$ 316,601
Accrued compensation and benefits	387,467	606,290
Senior debt	998,350	1,048,350
Tax receivable agreement obligation	988,085	19,577
Capital lease obligations	10,089	12,015
Other liabilities	522,746	559,346
Total Liabilities	3,282,572	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 June 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 June 30, 2015 and December 31, 2014, including shares held by subsidiaries as indicated below)	1,298	1,298
Additional paid-in-capital	527,454	702,800
Retained earnings	664,001	464,655
Accumulated other comprehensive loss, net of tax	(235,349)	(200,766)
	957,404	967,987
Class A common stock held by subsidiaries, at cost (3,678,861 and 7,450,745 shares at June 30, 2015 and December 31, 2014, respectively)	(147,200)	(261,243)
Total Lazard Ltd Stockholders Equity	810,204	706,744
Noncontrolling interests	59,165	63,313
Total Stockholders Equity	869,369	770,057
Total Liabilities and Stockholders Equity	$ 4,151,941	$ 3,332,236

See notes to condensed consolidated financial statements.

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LAZARD LTD

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2015 AND 2014

(UNAUDITED)

(dollars in thousands, except for per share data)

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
REVENUE				
Investment banking and other advisory fees	$ 314,277	$ 279,907	$ 615,649	$ 552,582
Asset management fees	268,754	275,877	530,709	528,908
Interest income	1,362	1,153	2,291	2,572
Other	36,196	25,668	65,825	47,896
Total revenue	620,589	582,605	1,214,474	1,131,958
Interest expense	11,497	15,709	27,633	31,662
Net revenue	609,092	566,896	1,186,841	1,100,296
OPERATING EXPENSES				
Compensation and benefits	336,719	345,924	665,221	667,489
Occupancy and equipment	27,272	28,367	54,611	56,679
Marketing and business development	18,324	20,894	37,514	40,127
Technology and information services	23,034	21,954	45,927	45,441
Professional services	13,883	14,120	25,342	21,711
Fund administration and outsourced services	17,493	16,002	33,641	31,456
Amortization of intangible assets related to acquisitions	1,857	706	2,890	1,926
Provision pursuant to tax receivable agreement	961,948	9,240	968,483	9,240
Other	9,938	10,709	79,925	20,067
Total operating expenses	1,410,468	467,916	1,913,554	894,136
OPERATING INCOME (LOSS)	(801,376)	98,980	(726,713)	206,160
Provision (benefit) for income taxes	(1,176,531)	13,071	(1,164,514)	34,822
NET INCOME	375,155	85,909	437,801	171,338
LESS - NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	1,042	717	7,735	5,304
NET INCOME ATTRIBUTABLE TO LAZARD LTD	$ 374,113	$ 85,192	$ 430,066	$ 166,034

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

Basic	126,212,645	123,116,776	124,934,167	122,446,492
Diluted	132,806,045	133,575,652	133,270,996	133,800,822
NET INCOME PER SHARE OF COMMON STOCK:				
Basic	$2.96	$0.69	$3.44	$1.36
Diluted	$2.82	$0.64	$3.23	$1.25
DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	$0.35	$0.30	$1.65	$0.60

See notes to condensed consolidated financial statements.

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LAZARD LTD

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2015 AND 2014

(UNAUDITED)

(dollars in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
NET INCOME	$ 375,155	$ 85,909	$ 437,801	$ 171,338
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:				
Currency translation adjustments	11,791	4,547	(22,342)	10,460
Employee benefit plans:				
Actuarial loss (net of tax benefit of $8,121 and $3,600 for the three months ended June 30, 2015 and 2014, respectively, and $8,006 and $3,650 for the six months ended June 30, 2015 and 2014, respectively)	(14,836)	(6,389)	(14,617)	(6,946)
Adjustment for items reclassified to earnings (net of tax expense of $538 and $331 for the three months ended June 30, 2015 and 2014, respectively, and $1,101 and $863 for the six months ended June 30, 2015 and 2014, respectively)	1,190	1,280	2,376	2,569
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	(1,855)	(562)	(34,583)	6,083
COMPREHENSIVE INCOME	373,300	85,347	403,218	177,421
LESS - COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	1,042	693	7,735	5,304
COMPREHENSIVE INCOME ATTRIBUTABLE TO LAZARD LTD	$ 372,258	$ 84,654	$ 395,483	$ 172,117

See notes to condensed consolidated financial statements.

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LAZARD LTD

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2015 AND 2014

(UNAUDITED)

(dollars in thousands)

	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 437,801	$ 171,338
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization of property	15,900	17,656
Amortization of deferred expenses and share-based incentive compensation	171,397	158,040
Amortization of intangible assets related to acquisitions	2,890	1,926
Deferred tax provision (benefit)	(1,195,319)	2,274
Provision pursuant to tax receivable agreement	968,483	9,240
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	(95,877)	(80,047)
Cash deposited with clearing organizations and other segregated cash	8,438	(5,331)
Receivables-net	39,023	(29,483)
Investments	52,674	(60,399)
Other assets	(97,621)	(94,490)
Increase (decrease) in operating liabilities:		
Deposits and other payables	81,574	125,909
Accrued compensation and benefits and other liabilities	(213,892)	(86,991)
Net cash provided by operating activities	211,302	129,642
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property	(13,438)	(5,830)
Disposals of property	336	350
Net cash used in investing activities	(13,102)	(5,480)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from:		
Contributions from noncontrolling interests	57	437
Issuance of senior debt, net of expenses	396,272	
Excess tax benefits from share-based incentive compensation	9,516	1,925
Other financing activities		20,000
Payments for:		
Senior debt	(509,098)	
Capital lease obligations	(1,019)	(1,168)
Distributions to noncontrolling interests	(11,940)	(5,907)
Purchase of Class A common stock	(117,733)	(142,317)
Class A common stock dividends	(202,635)	(72,981)

Settlement of vested share-based incentive compensation	(102,634)	(82,526)
Other financing activities	(1,624)	(1,426)
Net cash used in financing activities	(540,838)	(283,963)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(22,770)	2,810
NET DECREASE IN CASH AND CASH EQUIVALENTS	(365,408)	(156,991)
CASH AND CASH EQUIVALENTS January 1	1,066,580	841,482
CASH AND CASH EQUIVALENTS June 30	$ 701,172	$ 684,491

See notes to condensed consolidated financial statements.

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LAZARD LTD

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2014

(UNAUDITED)

(dollars in thousands)

	Series A Preferred Stock Shares	Series A Preferred Stock $	Common Stock Shares(*)	Common Stock $	Additional Paid-In-Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Tax	Class A Common Stock Held By Subsidiaries Shares	Class A Common Stock Held By Subsidiaries $	Total Lazard Ltd Stockholders Equity	Noncontrolling Interests	Tota Stockhol Equit
nce 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,**
prehensive income:												
ncome						166,034				166,034	5,304	171,
r comprehensive ne - net of tax							6,083			6,083		6,
rtization of -based incentive pensation					112,308					112,308		112,
lend-equivalents					9,387	(10,813)				(1,426)		(1,
A common stock ends						(72,981)				(72,981)		(72,
hase of Class A mon stock								4,114,206	(192,657)	(192,657)		(192,
ery of Class A mon stock in ection with -based incentive pensation and related enefit of $1,776					(250,436)			(4,702,740)	169,686	(80,750)		(80,
A common stock d in exchange for rd Group common bership interests			710,009	7	(7)							
ness acquisitions and d equity transactions:												
A common stock ble (including related tization)					258					258		
ibutions to ontrolling interests, net											(5,470)	(5,
stments related to ontrolling interests					3,543		(559)			2,984	(2,984)	
nce June 30, 2014	**7,921**	**$**	**129,766,091**	**$ 1,298**	**$ 612,952**	**$ 285,476**	**$ (127,480)**	**7,728,531**	**$ (272,184)**	**$ 500,062**	**$ 66,639**	**$ 566,**

(*) Includes 129,056,081 and 129,766,091 shares of the Company s Class A common stock issued at January 1, 2014 and June 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 SIX MONTH PERIOD ENDED JUNE 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 Interests	Tota Stockho Equi
	Shares	$	Shares	$				Shares	$			
ce 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**
rehensive income												
come						430,066				430,066	7,735	437
comprehensive loss - tax							(34,583)			(34,583)		(34
tization of based incentive ensation					122,793					122,793		122
end-equivalents					26,461	(28,085)				(1,624)		(1
A common stock nds						(202,635)				(202,635)		(202
ase of Class A on stock								2,306,694	(117,733)	(117,733)		(117
ery of Class A on stock in ction with based incentive ensation and related nefit of $9,495					(323,588)			(6,051,262)	230,449	(93,139)		(93
ess acquisitions and d equity transactions:												
A common stock le (including related ization)					315					315		
ery of Class A on stock					(1,327)			(27,316)	1,327			
butions to ntrolling interests, net											(11,883)	(11
ce June 30, 2015	**7,921**	**$**	**129,766,091**	**$ 1,298**	**$ 527,454**	**$ 664,001**	**$ (235,349)**	**3,678,861**	**$ (147,200)**	**$ 810,204**	**$ 59,165**	**$ 869**

See notes to condensed consolidated financial statements.

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 June 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 Operating Agreement dated as of May 10, 2005, as amended (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 interest 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 six month periods ended June 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 VOEs. 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 requires a company to remove from within the fair value hierarchy all investments for which fair value is measured using NAV. 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, but does expect that this guidance will affect the disclosures related to investments and fair value measurements.

LAZARD LTD

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

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

3. *RECEIVABLES*

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

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 six month periods ended June 30, 2015 and 2014 was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Beginning balance	$ 18,459	$ 31,324	$ 23,540	$ 28,777
Bad debt expense, net of recoveries	2,061	(1,633)	3,293	7,503
Charge-offs, foreign currency translation and other adjustments	551	252	(5,762)	(6,337)
Ending balance	$ 21,071	$ 29,943	$ 21,071	$ 29,943

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

At June 30, 2015 and December 31, 2014, the Company had receivables past due or deemed uncollectible of $22,833 and $24,578, respectively.

Of the Company s fee receivables at June 30, 2015 and December 31, 2014, $81,302 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 $420,229 and $471,375 at June 30, 2015 and December 31, 2014, respectively, approximates fair value.

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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)

4. *INVESTMENTS*

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

	June 30, 2015	December 31, 2014
Interest-bearing deposits	$ 56,411	$ 84,575
Debt	1,870	10,426
Equities	53,147	57,302
Funds:		
Alternative investments (a)	32,247	34,705
Debt (a)	73,177	82,889
Equity (a)	232,244	228,209
Private equity	101,802	114,470
	439,470	460,273
Equity method	6,853	7,776
Total investments	557,751	620,352
Less:		
Interest-bearing deposits	56,411	84,575
Equity method	6,853	7,776
Investments, at fair value	$ 494,487	$ 528,001
Securities sold, not yet purchased, at fair value (included in other liabilities)	$ 3,515	$ 9,290

(a) Interests in alternative investment funds, debt funds and equity funds include investments with fair values of $12,153, $32,226 and $170,003, respectively, at June 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.

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 and funds of 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 debt fund held by the Company s broker-dealer subsidiary.

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) 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 fund targeting significant noncontrolling-stake investments in established private companies, (iii) Edgewater Growth Capital Partners III, L.P. (EGCP III), a fund primarily making equity and buyout investments in middle market companies and (iv) Lazard Australia Corporate Opportunities Fund 2 (COF2), an Australian fund targeting Australian mid-market investments. 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 three month and six month periods ended June 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 six month periods ended June 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 June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net unrealized investment gains (losses)	$ (3,308)	$ 13,331	$ (1,115)	$ 13,822

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 (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, (ii) assets valued based on NAV or its equivalent redeemable at the measurement date or within the near term without redemption restrictions, or (iii) 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

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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, as well as assets valued based on NAV or its equivalent, but not redeemable within the near term as a result of redemption restrictions.

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 is classified as Level 1 when the fair values are primarily based on the publicly reported closing price for the fund, and classified as Level 2 when (i) the fair values are primarily based on NAV or its equivalent, which is primarily determined based on information provided by external fund administrators, and (ii) the investments are redeemable within the near term.

The fair value of investments in debt funds is classified as Level 1 when the fair values are primarily based on the publicly reported closing price for the fund, and classified as Level 2 when the fair values are primarily based on NAV or its equivalent and are redeemable within the near term.

The fair value of investments in equity funds is classified as Level 1 or 2 as follows: publicly traded asset management funds are classified as Level 1 and are valued based on the reported closing price for the fund; and investments in asset management funds redeemable in the near term are classified as Level 2 and are valued at NAV or its equivalent, which is primarily determined based on information provided by external fund administrators.

The fair value of investments in private equity funds is classified as Level 3, and is primarily based on NAV or its equivalent, except for certain investments that are valued based on potential transaction value. Such investments are not redeemable within the near term.

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.

Where reported information regarding an investment is based on data received from external fund administrators or pricing services, the Company reviews such information and classifies the investment at the relevant level within the fair value hierarchy.

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The following tables present the classification of investments and certain other assets and liabilities measured at fair value on a recurring basis as of June 30, 2015 and December 31, 2014 within the fair value hierarchy:

	June 30, 2015			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Debt	$ 1,868	$ 2	$	$ 1,870
Equities	51,848		1,299	53,147
Funds:				
Alternative investments	7,191	25,056		32,247
Debt	73,171	6		73,177
Equity	232,197	47		232,244
Private equity			101,802	101,802
Derivatives		1,582		1,582
Total	$ 366,275	$ 26,693	$ 103,101	$ 496,069
Liabilities:				
Securities sold, not yet purchased	$ 3,515	$	$	$ 3,515
Derivatives		203,273		203,273
Total	$ 3,515	$ 203,273	$	$ 206,788

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
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	$ 41,993	$ 115,785	$ 530,356

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

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 six month periods ended June 30, 2015 and 2014.

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

	Three Months Ended June 30, 2015					
	Beginning Balance	Net Unrealized/ Realized Gains (Losses) Included In Revenue-Other (a)	Purchases/ Acquisitions	Sales/ Dispositions	Foreign Currency Translation Adjustments	Ending Balance
Investments:						
Equities	$ 1,289	$ 8	$	$	$ 2	$ 1,299
Private equity funds	107,440	54	138	(7,354)	1,524	101,802
Total Level 3 Assets	$ 108,729	$ 62	$ 138	$ (7,354)	$ 1,526	$ 103,101

	Six Months Ended June 30, 2015					
	Beginning Balance	Net Unrealized/ Realized Gains (Losses) Included In Revenue-Other (a)	Purchases/ Acquisitions	Sales/ Dispositions	Foreign Currency Translation Adjustments	Ending Balance
Investments:						
Equities	$ 1,315	$ 10	$	$	$ (26)	$ 1,299
Private equity funds	114,470	7,902	847	(17,885)	(3,532)	101,802
Total Level 3 Assets	$ 115,785	$ 7,912	$ 847	$ (17,885)	$ (3,558)	$ 103,101

	Three Months Ended June 30, 2014					
	Beginning Balance	Net Unrealized/ Realized Gains (Losses) Included In Revenue-Other (a)	Purchases/ Acquisitions	Sales/ Dispositions	Foreign Currency Translation Adjustments	Ending Balance

Investments:						
Equities	$ 1,337	$ 12	$	$	$ 21	$ 1,370
Private equity funds	115,537	1,254	864	(416)	(344)	116,895
Total Level 3 Assets	$ 116,874	$ 1,266	$ 864	$ (416)	$ (323)	$ 118,265

	Six Months Ended June 30, 2014					
	Beginning Balance	Net Unrealized/ Realized Gains (Losses) Included In Revenue-Other (a)	Purchases/ Acquisitions	Sales/ Dispositions	Foreign Currency Translation Adjustments	Ending Balance
Investments:						
Equities	$ 1,340	$ 14	$	$	$ 16	$ 1,370
Private equity funds	114,193	6,836	1,211	(5,085)	(260)	116,895
Total Level 3 Assets	$ 115,533	$ 6,850	$ 1,211	$ (5,085)	$ (244)	$ 118,265

(a) Earnings for the three month and six month periods ended June 30, 2015 and the three month and six month periods ended June 30, 2014 include net unrealized gains (losses) of $(1,418), $4,679, $1,123 and $5,536, respectively.

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Fair Value of Certain Investments Based on NAV The Company s Level 2 and Level 3 investments at June 30, 2015 and December 31, 2014 include certain investments that are valued using NAV or its equivalent as a practical expedient in determining fair value. Information with respect thereto was as follows:

	June 30, 2015							
				Estimated Liquidation Period of Investments Not Redeemable			Investments Redeemable	
	Fair Value	Unfunded Commitments	% of Fair Value Not Redeemable	% Next 5 Years	% 5-10 Years	% Thereafter	Redemption Frequency	Redemption Notice Period
Alternative investment funds:								
Hedge funds	$ 22,893	$	NA	NA	NA	NA	(a)	<30-60 days
Funds of funds	484		NA	NA	NA	NA	(b)	<30-90 days
Other	1,679		NA	NA	NA	NA	(c)	<30-60 days
Debt funds	6		NA	NA	NA	NA	(d)	30 days
Equity funds	47		NA	NA	NA	NA	(e)	<30-90 days
Private equity funds:								
Equity growth	44,682	5,131(f)	100%	7%	91%	2%	NA	NA
Mezzanine debt	34,853		100%			100%	NA	NA
Total	$ 104,644	$ 5,131						

(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 (13%), monthly (60%) and quarterly (27%)
(f) Unfunded commitments to private equity investments consolidated but not owned by Lazard of $6,588 are excluded. Such commitments are required to be funded by capital contributions from noncontrolling interest holders.

	December 31, 2014							
				Estimated Liquidation Period of Investments Not Redeemable			Investments Redeemable	
	Fair Value	Unfunded Commitments	% of Fair Value Not Redeemable	% Next 5 Years	% 5-10 Years	% Thereafter	Redemption Frequency	Redemption Notice Period
Alternative investment funds:								
Hedge funds	$ 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						

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(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.

See Note 4 of Notes to Condensed Consolidated Financial Statements for discussion of significant investment strategies for investments with value based on NAV.

Investment Capital Funding Commitments At June 30, 2015, the Company s maximum unfunded commitments for capital contributions to investment funds arose from (i) commitments to CP II, which amounted to $570 for potential follow-on investments and/or for fund expenses through the earlier of February 25, 2017 or the liquidation of the fund, (ii) commitments to EGCP III, which amounted to $12,036, 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 and (iii) commitments to COF2, which amounted to $4,192, through the earlier of November 11, 2016 (*i.e*., the end of the investment period) for investments and/or fund expenses (with a portion of the undrawn amount of such commitments as of that date remaining committed until November 11, 2019 in respect of follow-on investments and/or fund expenses) or the liquidation of the fund.

In July 2015, our commitments to COF2 were reduced to approximately $230.

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 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.

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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 June 30, 2015 and December 31, 2014:

	June 30, 2015	December 31, 2014
Derivative Assets:		
Forward foreign currency exchange rate contracts	$ 480	$ 2,355
Total return swaps and other	1,102	
Total	$ 1,582	$ 2,355
Derivative Liabilities:		
Forward foreign currency exchange rate contracts	$ 1,210	$ 124
Total return swaps and other (a)		663
LFI and other similar deferred compensation arrangements	202,063	207,306
	$ 203,273	$ 208,093

(a) For total return swaps, amounts represent the netting of gross derivative assets and liabilities of $1,323 and $221 as of June 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 $9,954 and $12,364 as of June 30, 2015 and December 31, 2014, respectively.

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 six month periods ended June 30, 2015 and 2014, were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Forward foreign currency exchange rate contracts	$ (4,023)	$ 178	$ 11,377	$ (975)
LFI and other similar deferred compensation arrangements	1,894	(8,906)	(2,242)	(11,532)
Total return swaps and other	(16)	(6,325)	(3,184)	(8,271)
Total	$ (2,145)	$ (15,053)	$ 5,951	$ (20,778)

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7. PROPERTY

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

	Estimated Depreciable Life in Years	June 30, 2015	December 31, 2014
Buildings	33	$ 140,986	$ 152,982
Leasehold improvements	3-20	168,192	167,837
Furniture and equipment	3-10	153,107	150,458
Construction in progress		6,923	7,578
Total		469,208	478,855
Less - Accumulated depreciation and amortization		255,463	256,286
Property		$ 213,745	$ 222,569

8. GOODWILL AND OTHER INTANGIBLE ASSETS

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

	June 30, 2015	December 31, 2014
Goodwill	$ 326,822	$ 335,402
Other intangible assets (net of accumulated amortization)	9,147	12,036
	$ 335,969	$ 347,438

At June 30, 2015 and December 31, 2014, goodwill of $262,281 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.

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

	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Balance, January 1	$ 335,402	$ 345,453

Foreign currency translation adjustments	(8,580)	6,590
Balance, June 30	$ 326,822	$ 352,043

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

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

	June 30, 2015			December 31, 2014		
	Gross Cost	Accumulated Amortization	Net Carrying Amount	Gross Cost	Accumulated Amortization	Net Carrying Amount
Performance fees	$ 30,740	$ 22,985	$ 7,755	$ 30,740	$ 21,116	$ 9,624
Management fees, customer relationships and non-compete agreements	33,036	31,644	1,392	33,050	30,638	2,412
	$ 63,776	$ 54,629	$ 9,147	$ 63,790	$ 51,754	$ 12,036

Amortization expense of intangible assets for the three month and six month periods ended June 30, 2015 was $1,857 and $2,890, respectively, and for the three month and six month periods ended June 30, 2014 was $706 and $1,926, respectively. Estimated future amortization expense is as follows:

Year Ending December 31,	Amortization Expense (a)
2015 (July 1 through December 31)	$ 3,668
2016	5,479
Total amortization expense	$ 9,147

(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 June 30, 2015 and December 31, 2014:

	Initial Principal Amount	Maturity Date	Annual Interest Rate	Outstanding As Of	
				June 30, 2015	December 31, 2014
Lazard Group 6.85% Senior Notes	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	
Lazard Group Credit Facility	150,000	9/25/15	0.79%		
Total				$ 998,350	$ 1,048,350

(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 six month period ended June 30, 2015.

On September 25, 2012, Lazard Group entered into a $150,000, three-year senior revolving credit facility with a group of lenders (the Credit Facility). The Credit Facility replaced a similar revolving credit facility which was

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terminated as a condition to effectiveness of the Credit Facility. Interest rates under the Credit Facility vary and are based on either a Federal Funds rate or a Eurodollar rate, in each case plus an applicable margin. As of June 30, 2015, the annual interest rate for a loan accruing interest (based on the Federal Funds overnight rate), including the applicable margin, was 0.79%. At June 30, 2015 and December 31, 2014, no amounts were outstanding under the Credit Facility.

The Credit Facility expires in September 2015 and contains customary terms and conditions, including certain financial covenants. In addition, the Credit Facility, 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 June 30, 2015, the Company was in compliance with such provisions. All of the Company s senior debt obligations are unsecured.

As of June 30, 2015, the Company had approximately $247,000 in unused lines of credit available to it, including the Credit Facility, and unused lines of credit available to LFB of approximately $39,000 (at June 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 June 30, 2015 and December 31, 2014 is carried at historical amounts. At those dates, the fair value of such senior debt was approximately $1,010,000 and $1,135,000, respectively, and exceeded the aggregate carrying value by approximately $12,000 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 June 30, 2015, LFB had $4,868 of such indemnifications and held $4,429 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.

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 June 30, 2015 and December 31, 2014, 913,722 shares are

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issuable on a contingent basis, and 1,371,992 shares have been earned because applicable performance thresholds have been satisfied. As of June 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 June 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.

11. STOCKHOLDERS EQUITY

Share Repurchase Program During the six month period ended June 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 and Lazard Group common membership interests 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

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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
Six Months Ended June 30:		
2014	4,114,206	$ 46.83
2015	2,306,694	$ 51.04

The shares purchased in the six months ended June 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. The effect of this transaction is excluded from financing activities on the condensed consolidated statement of cash flows for the six month period ended June 30, 2014.

As of June 30, 2015, a total of $161,199 of share repurchase authorizations remained available under the Company s share repurchase program, $11,199 of which will expire on December 31, 2015 and $150,000 of which will expire on December 31, 2016.

During the six month period ended June 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 June 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 June 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.

Accumulated Other Comprehensive Income (Loss), Net of Tax (AOCI) The tables below reflect changes in the balances of each component of AOCI during the six month periods ended June 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 June 30, 2015:					
Other comprehensive loss before reclassifications	(22,342)	(14,617)	(36,959)		(36,959)

Adjustments for items reclassified to earnings, net of tax		2,376	2,376		2,376
Net other comprehensive loss	(22,342)	(12,241)	(34,583)		(34,583)
Balance, June 30, 2015	$ (68,444)	$ (166,906)	$ (235,350)	$ (1)	$ (235,349)

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	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 June 30, 2014:					
Other comprehensive income (loss) before reclassifications	10,460	(6,946)	3,514	559	2,955
Adjustments for items reclassified to earnings, net of tax		2,569	2,569		2,569
Net other comprehensive income (loss)	10,460	(4,377)	6,083	559	5,524
Balance, June 30, 2014	$ 14,329	$ (141,808)	$ (127,479)	$ 1	$ (127,480)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Amortization relating to employee benefit plans (a)	$ 1,728	$ 1,611	$ 3,477	$ 3,432
Less related income taxes	538	331	1,101	863
Total reclassifications, net of tax	$ 1,190	$ 1,280	$ 2,376	$ 2,569

(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.

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.

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

	Net Income Attributable to Noncontrolling Interests			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Edgewater	$ 1,041	$ 552	$ 7,734	$ 4,672
LAZ-MD Holdings		164		631
Other	1	1	1	1
Total	$ 1,042	$ 717	$ 7,735	$ 5,304

	Noncontrolling Interests As Of	
	June 30, 2015	December 31, 2014
Edgewater	$ 58,446	$ 62,584
Other	719	729
Total	$ 59,165	$ 63,313

Dividends Declared, July 2015 On July 22, 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 August 14, 2015, to stockholders of record on August 3, 2015.

12. INCENTIVE PLANS

Share-Based Incentive Plan Awards

A description of Lazard Ltd s 2005 Plan and 2008 Plan and activity with respect thereto during the three month and six month periods ended June 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 stock unit or similar award granted under the 2005 Plan represented a contingent right to receive one share of Class A common 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.

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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 six month periods ended June 30, 2015 and 2014:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Share-based incentive awards:				
RSUs	$ 32,263	$ 40,931	$ 91,334	$ 93,216
PRSUs	8,414	4,902	14,612	6,700
Restricted Stock	2,830	4,244	15,453	10,856
DSUs	1,363	1,434	1,394	1,536
Total	$ 44,870	$ 51,511	$ 122,793	$ 112,308

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 incentive plans 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 six month periods ended June 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:

	Six Months Ended June 30,	
	2015	2014
Number of RSUs issued	529,616	203,537
Charges to retained earnings, net of estimated forfeitures	$ 26,461	$ 9,387

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 six month periods ended June 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 that shall be 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 six month periods ended June 30, 2015 and 2014, 1,183 and 4,383 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 six month periods ended June 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 529,616 RSUs relating to dividend participation)	3,982,135	$ 48.83	25,144	$ 55.45
Forfeited	(397,637)	$ 43.04		
Vested	(6,873,352)	$ 30.79		
Balance, June 30, 2015	10,240,262	$ 43.14	311,371	$ 35.92
Balance, January 1, 2014	16,630,009	$ 34.51	251,434	$ 32.02
Granted (including 203,537 RSUs relating to dividend participation)	3,625,734	$ 42.87	30,743	$ 49.97
Forfeited	(77,368)	$ 37.01		
Vested	(6,381,080)	$ 37.98		
Balance, June 30, 2014	13,797,295	$ 35.09	282,177	$ 33.97

In connection with RSUs that vested during the six month periods ended June 30, 2015 and 2014, the Company satisfied its minimum statutory tax withholding requirements in lieu of issuing 1,895,301 and 1,853,416 shares of Class A common stock in the respective six month periods. Accordingly, 4,978,051 and 4,527,664 shares of Class A common stock held by the Company were delivered during the six month periods ended June 30, 2015 and 2014, respectively.

As of June 30, 2015, estimated unrecognized RSU compensation expense was approximately $192,787, with such expense expected to be recognized over a weighted average period of approximately 1.0 year subsequent to June 30, 2015.

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Restricted Stock

The following is a summary of activity related to shares of restricted Class A common stock associated with compensation arrangements during the six month periods ended June 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	(44,769)	$ 50.23
Vested	(501,298)	$ 39.19
Balance, June 30, 2015	760,646	$ 46.87
Balance, January 1, 2014	575,054	$ 32.72
Granted	449,911	$ 45.52
Forfeited	(9,438)	$ 41.45
Vested	(205,075)	$ 35.23
Balance, June 30, 2014	810,452	$ 39.09

In connection with shares of restricted Class A common stock that vested during the six month periods ended June 30, 2015 and 2014, the Company satisfied its minimum statutory tax withholding requirements in lieu of delivering 92,500 and 29,999 shares of Class A common stock during such respective six month periods. Accordingly, 408,798 and 175,076 shares of Class A common stock he