

Lazard Ltd  
Form 10-Q  
November 02, 2011  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended September 30, 2011

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**  
(State or Other Jurisdiction of Incorporation  
or Organization)

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

**Clarendon House**

**2 Church Street**

**Hamilton HM11, Bermuda**

(Address of principal executive offices)

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

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

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

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

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company

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

As of October 24, 2011, there were 122,871,152 shares of the Registrant's Class A common stock (including 4,815,788 shares held by subsidiaries) and one share of the Registrant's Class B common stock outstanding.

**Table of Contents****TABLE OF CONTENTS**

*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 operating assets other than indirect ownership as of September 30, 2011 of approximately 94.7% of the common membership interests in Lazard Group and its controlling interest in Lazard Group.*

	<b>Page</b>
<b>Part I. Financial Information</b>	
<u>Item 1. Financial Statements (Unaudited)</u>	1
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	41
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	73
<u>Item 4. Controls and Procedures</u>	73
<b>Part II. Other Information</b>	
<u>Item 1. Legal Proceedings</u>	74
<u>Item 1A. Risk Factors</u>	74
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	74
<u>Item 3. Defaults Upon Senior Securities</u>	75
<u>Item 4. (Removed and Reserved)</u>	75
<u>Item 5. Other Information</u>	75
<u>Item 6. Exhibits</u>	76
<b><u>Signatures</u></b>	82

**Table of Contents**

**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements (Unaudited)**

	<b>Page</b>
<u>Condensed Consolidated Statements of Financial Condition as of September 30, 2011 and December 31, 2010</u>	2
<u>Condensed Consolidated Statements of Operations for the three month and nine month periods ended September 30, 2011 and 2010</u>	4
<u>Condensed Consolidated Statements of Cash Flows for the nine month periods ended September 30, 2011 and 2010</u>	5
<u>Condensed Consolidated Statements of Changes in Stockholders' Equity for the nine month periods ended September 30, 2011 and 2010</u>	6
<u>Notes to Condensed Consolidated Financial Statements</u>	8

**Table of Contents****LAZARD LTD****CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION****SEPTEMBER 30, 2011 AND DECEMBER 31, 2010****(UNAUDITED)****(dollars in thousands, except for per share data)**

	<b>September 30, 2011</b>	<b>December 31, 2010</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 989,894	\$1,209,695
Deposits with banks	267,906	356,539
Cash deposited with clearing organizations and other segregated cash	66,219	92,911
Receivables-net:		
Fees	439,857	480,340
Customers and other	141,246	63,490
Related parties	14,248	24,874
	595,351	568,704
Investments	346,912	417,410
Property (net of accumulated amortization and depreciation of \$268,374 and \$250,898 at September 30, 2011 and December 31, 2010, respectively)	150,708	150,524
Goodwill and other intangible assets (net of accumulated amortization of \$19,903 and \$15,007 at September 30, 2011 and December 31, 2010, respectively)	394,382	361,439
Other assets	325,097	265,310
<b>Total assets</b>	<b>\$ 3,136,469</b>	<b>\$ 3,422,532</b>

See notes to condensed consolidated financial statements.

**Table of Contents****LAZARD LTD****CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (Continued)****SEPTEMBER 30, 2011 AND DECEMBER 31, 2010****(UNAUDITED)****(dollars in thousands, except for per share data)**

	\$3,422,532	\$3,422,532
	<b>September 30,</b>	<b>December 31,</b>
	<b>2011</b>	<b>2010</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Liabilities:		
Deposits and other customer payables	\$ 342,704	\$ 361,553
Accrued compensation and benefits	250,252	498,880
Senior debt	1,076,850	1,076,850
Capital lease obligations	21,576	22,903
Related party payables	4,082	2,819
Other liabilities	523,023	513,410
Subordinated debt		150,000
Total liabilities	2,218,487	2,626,415
Commitments and contingencies		
<b>STOCKHOLDERS EQUITY</b>		
Preferred stock, par value \$.01 per share; 15,000,000 shares authorized:		
Series A - 7,921 and 22,021 shares issued and outstanding at September 30, 2011 and December 31, 2010, respectively		
Series B - no shares issued and outstanding		
Common stock:		
Class A, par value \$.01 per share (500,000,000 shares authorized; 122,871,152 and 119,697,936 shares issued at September 30, 2011 and December 31, 2010, respectively, including shares held by a subsidiary as indicated below)	1,229	1,197
Class B, par value \$.01 per share (1 share authorized, issued and outstanding at September 30, 2011 and December 31, 2010)		
Additional paid-in-capital	685,800	758,841
Retained earnings	285,575	166,468
Accumulated other comprehensive loss, net of tax	(57,712)	(46,158)
	914,892	880,348
Class A common stock held by a subsidiary, at cost (4,098,431 and 6,847,508 shares at September 30, 2011 and December 31, 2010, respectively)	(141,593)	(227,950)
Total Lazard Ltd stockholders equity	773,299	652,398
Noncontrolling interests	144,683	143,719
Total stockholders equity	917,982	796,117

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Total liabilities and stockholders' equity	\$ 3,136,469	\$ 3,422,532
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See notes to condensed consolidated financial statements.



**Table of Contents****LAZARD LTD****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010****(UNAUDITED)****(dollars in thousands, except for per share data)**

	138,094,101	138,094,101	138,094,101	138,094,101
	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>REVENUE</b>				
Investment banking and other advisory fees	\$248,358	\$ 245,294	\$ 711,781	\$ 759,785
Money management fees	213,276	202,662	658,874	560,664
Interest income	3,418	5,430	11,273	16,037
Other	19,531	23,924	64,601	47,785
<b>Total revenue</b>	<b>484,583</b>	<b>477,310</b>	<b>1,446,529</b>	<b>1,384,271</b>
Interest expense	22,164	24,073	68,795	73,788
<b>Net revenue</b>	<b>462,419</b>	<b>453,237</b>	<b>1,377,734</b>	<b>1,310,483</b>
<b>OPERATING EXPENSES</b>				
Compensation and benefits	273,532	282,528	830,011	845,926
Occupancy and equipment	24,345	22,414	70,030	65,004
Marketing and business development	19,844	17,503	58,834	51,358
Technology and information services	20,417	18,904	60,566	53,552
Professional services	11,434	10,731	34,395	29,716
Fund administration and outsourced services	14,019	12,037	40,777	34,407
Amortization of intangible assets related to acquisitions	1,716	1,719	4,896	5,258
Restructuring				87,108
Other	9,374	7,934	27,839	26,117
<b>Total operating expenses</b>	<b>374,681</b>	<b>373,770</b>	<b>1,127,348</b>	<b>1,198,446</b>
<b>OPERATING INCOME</b>	<b>87,738</b>	<b>79,467</b>	<b>250,386</b>	<b>112,037</b>
Provision for income taxes	20,605	9,113	51,704	29,049
<b>NET INCOME</b>	<b>67,133</b>	<b>70,354</b>	<b>198,682</b>	<b>82,988</b>
<b>LESS - NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b>	<b>4,434</b>	<b>6,263</b>	<b>18,972</b>	<b>7,859</b>
<b>NET INCOME ATTRIBUTABLE TO LAZARD LTD</b>	<b>\$ 62,699</b>	<b>\$ 64,091</b>	<b>\$ 179,710</b>	<b>\$ 75,129</b>
<b>ATTRIBUTABLE TO LAZARD LTD CLASS A COMMON STOCKHOLDERS:</b>				

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**WEIGHTED AVERAGE SHARES OF COMMON STOCK  
OUTSTANDING:**

Basic	118,315,944	111,059,071	117,586,028	101,440,741
Diluted	136,857,956	138,094,101	138,265,494	135,554,131

**NET INCOME PER SHARE OF COMMON STOCK:**

Basic	\$0.53	\$0.58	\$1.53	\$0.74
Diluted	\$0.49	\$0.51	\$1.39	\$0.58

<b>DIVIDENDS DECLARED PER SHARE OF COMMON STOCK</b>	\$0.16	\$0.125	\$0.445	\$0.375
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See notes to condensed consolidated financial statements.

**Table of Contents****LAZARD LTD****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010****(UNAUDITED)****(dollars in thousands)**

	<b>Nine Months Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 198,682	\$ 82,988
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Noncash items included in net income:		
Depreciation and amortization of property	18,176	16,131
Amortization of deferred expenses, share-based incentive compensation and interest rate hedge	228,213	257,840
Amortization of intangible assets related to acquisitions	4,896	5,258
(Gain) loss on extinguishment of debt	(18,171)	424
(Increase) decrease in operating assets:		
Deposits with banks	96,193	(41,255)
Cash deposited with clearing organizations and other segregated cash	28,574	(4,824)
Receivables-net	(28,681)	(88,109)
Investments	71,127	(38,902)
Other assets	(64,267)	(35,174)
Increase (decrease) in operating liabilities:		
Deposits and other payables	(22,187)	83,741
Accrued compensation and benefits and other liabilities	(230,935)	(191,480)
Net cash provided by operating activities	281,620	46,638
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Distributions relating to equity method investments		51,437
Additions to property	(17,277)	(10,073)
Disposals of property	353	301
Proceeds from sales and maturities of available-for-sale securities		71,579
Net cash provided by (used in) investing activities	(16,924)	113,244
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from:		
Contribution from noncontrolling interests	3,821	3,005
Excess tax benefits from share-based incentive compensation	2,848	
Other financing activities		6,638
Payments for:		
Senior and subordinated debt	(131,829)	(10,375)
Capital lease obligations	(1,600)	(1,626)
Distributions to noncontrolling interests	(21,431)	(20,315)
Repurchase of common membership interests from members of LAZ-MD Holdings	(794)	(5,072)
Purchase of Class A common stock	(158,617)	(106,316)

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Class A common stock dividends	(51,409)	(36,714)
Settlement of vested share-based incentive compensation	(92,337)	(54,947)
Other financing activities	(33,386)	(53)
Net cash used in financing activities	(484,734)	(225,775)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	237	(4,005)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(219,801)	(69,898)
<b>CASH AND CASH EQUIVALENTS January 1</b>	1,209,695	917,329
<b>CASH AND CASH EQUIVALENTS September 30</b>	\$ 989,894	\$ 847,431
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
<b>Supplemental investing non-cash transaction:</b>		
Class A common stock issued/issuable in connection with business acquisitions	\$ 39,654	\$

See notes to condensed consolidated financial statements.

Table of Contents

## LAZARD LTD

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2011

(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 a Subsidiary		Total Lazard Ltd Stockholders' Equity	Noncontrolling Interests	Total Stockholders' Equity
	Shares	\$	Shares (*)	\$	\$				Shares	\$			
<b>Balance January 1, 2011</b>	<b>22,021</b>	<b>\$</b>	<b>119,697,937</b>	<b>\$ 1,197</b>	<b>\$ 758,841</b>	<b>\$ 166,468</b>	<b>\$ (46,158)</b>	<b>6,847,508</b>	<b>\$ (227,950)</b>	<b>\$ 652,398</b>	<b>\$ 143,719</b>	<b>\$ 796,117</b>	
Comprehensive income (loss):													
Net income						179,710				179,710	18,972	198,682	
Other comprehensive income (loss) - net of tax:													
Currency translation adjustments							(5,866)			(5,866)	(456)	(6,322)	
Amortization of interest rate hedge							749			749	42	791	
Employee benefit plans:													
Net actuarial loss							(7,778)			(7,778)	(437)	(8,215)	
Adjustments for items reclassified to earnings							1,585			1,585	89	1,674	
Comprehensive income										168,400	18,210	186,610	
Business acquisitions:													
Class A common stock issued/issuable (including in connection with LAM Merger and related amortization)						41,688				41,688	3,115	44,803	
Conversion of Series A preferred stock into Class A common stock	(14,100)		2,434,561	25	(25)								
Delivery of Class A common stock						(45,935)		(1,247,555)	45,147	(788)		(788)	
Amortization of share-based incentive compensation						200,230				200,230	11,236	211,466	
Dividend-equivalents						9,140	(9,194)			(54)	(3)	(57)	
Class A common stock dividends							(51,409)			(51,409)		(51,409)	
Purchase of Class A common stock									4,318,916	(158,617)		(158,617)	
Delivery of Class A common stock in connection with share-based incentive compensation and related tax benefits of \$2,178						(290,059)			(5,820,438)	199,827	73	(90,159)	
						(751)				(751)	(43)	(794)	

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Repurchase of common membership interests from LAZ-MD Holdings													
Class A common stock issued in exchange for Lazard Group common membership interests			738,655	7	(7)								
Adjustment related to the change in Lazard Ltd's ownership in Lazard Group					(1,580)				(1,580)			(1,580)	(1,580)
Distributions to noncontrolling interests, net											(17,610)		(17,610)
Other adjustments related to noncontrolling interests				14,258	(244)				14,014		(14,014)		
<b>Balance</b>	<b>September 30, 2011</b>	<b>7,921</b>	<b>\$ 122,871,153</b>	<b>\$ 1,229</b>	<b>\$ 685,800</b>	<b>\$ 285,575</b>	<b>\$ (57,712)</b>	<b>4,098,431</b>	<b>\$ (141,593)</b>	<b>\$ 773,299</b>	<b>\$ 144,683</b>	<b>\$ 917,982</b>	