WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.
Form N-14 8C/A
April 18, 2013
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As filed with the Securities and Exchange Commission on April 17, 2013

Securities Act File No. 333-187302

Investment Company Act File No. 811-07920

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-14

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

¨ Pre-Effective Amendment No. 1 ¨ Post-Effective Amendment No. __

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

(Exact Name of Registrant as Specified in Charter)

620 Eighth Avenue

New York, New York 10018

(Address of Principal Executive Offices: Number, Street, City, State, Zip Code)

1-888-777-0102

(Area Code and Telephone Number)

R. Jay Gerken

Legg Mason & Co., LLC

620 Eighth Avenue, 49th Floor

New York, New York 10018

(Name and Address of Agent for Services)

with copies to:

Sarah E. Cogan, Esq.

Simpson Thacher & Bartlett LLP

425 Lexington Avenue

New York, New York 10017

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

300 First Stamford Place

Stamford, Connecticut 06902

Calculation of Registration Fee under the Securities Act of 1933:

Title of Securities Being Registered	Amount Being Registered(1)	Proposed Maximum Offering Price per Unit(1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Common Stock ($.001 par value)	9,000,000	$6.45	$58,050,000	$7,918.02

(1) Estimated solely for the purpose of calculating the registration fee.
(2) $7,390.15 was previously paid.

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

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WESTERN ASSET HIGH INCOME FUND INC.

620 Eighth Avenue

New York, New York 10018

, 2013

Dear Stockholder:

The Annual Meeting of Stockholders (the Meeting) of Western Asset High Income Fund Inc. (HIF) will be held at 620 Eighth Avenue, 49th Floor, New York, New York, on May 31, 2013 at 10:00 a.m., Eastern Time, for the purposes of considering and voting upon the following:

1. A proposal to elect three Class I Directors and one Class II Director to the Board of Directors of Western Asset High Income Fund Inc.

2. A proposal to approve the merger of Western Asset High Income Fund Inc. with and into Western Asset High Income Opportunity Fund Inc. in accordance with the Maryland General Corporation Law.

3. The transaction of such other business as may be properly presented at the Meeting or any adjournments or postponements thereof.

The close of business on March 22, 2013 has been fixed as the record date for the determination of stockholders entitled to notice of and to vote at the Meeting. In addition to a proposal to elect three Class I Directors and one Class II Director to HIF s Board of Directors, stockholders are being asked to consider a proposal to approve the merger of HIF with and into Western Asset High Income Opportunity Fund Inc. (HIO, and together with HIF, the Funds) in accordance with the Maryland General Corporation Law (the Merger). The attached Proxy Statement/Prospectus asks for your approval of the proposed Merger. **After careful consideration, the Board of HIF recommends that you vote FOR the proposed Merger.**

As a result of the Merger, each share of common stock of HIF would convert into an equivalent dollar amount (to the nearest $0.001) of full shares of common stock of HIO, based on the net asset value of each Fund on the date preceding the Merger. HIO will not issue fractional shares to HIF stockholders. In lieu of issuing fractional shares, HIO will pay cash to each former holder of HIF common stock in an amount equal to the value of the fractional shares of HIO common stock that the investor would otherwise have received in the Merger. The currently issued and outstanding common shares of HIO will remain issued and outstanding.

Both HIF and HIO are closed-end, diversified management investment companies listed on the New York Stock Exchange. HIF s primary investment objective is to maintain a high level of current income. As a secondary objective, HIF seeks capital appreciation. Similarly, HIO s primary investment objective is to seek high current income. As a secondary objective, HIO seeks capital appreciation. A more detailed comparison of the Funds investment objectives and policies appears in the attached Proxy Statement/Prospectus. The current investment objectives and policies of HIO will continue unchanged if the Merger occurs.

The Board believes that the Merger is in the best interests of HIF stockholders. HIF and HIO have near identical investment objectives and substantially similar policies and strategies, which will allow HIF stockholders to continue to have exposure to high-yield fixed income securities. Moreover, the Board believes that the size of HIO allows for additional opportunities for diversification. In addition, as a result of the Merger, the combined Fund may benefit from economies of scale, as one set of fixed expenses would be spread over a larger asset base, as well as from enhanced market liquidity. In particular, the total annual operating expenses borne by HIF stockholders are expected to decline from 1.15% to 0.88%. Also, the Merger will result in a more streamlined high yield product offering, allowing for more focused marketing and shareholder servicing efforts.

Your vote is very important to us regardless of the number of shares you own. Whether or not you plan to attend the Meeting in person, please read the Proxy Statement/Prospectus and cast your vote promptly. To vote, simply date, sign and return the proxy card in the enclosed postage-paid envelope or follow the instructions on the proxy card for voting by touch-tone telephone or on the Internet.

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If you have any questions about the proposals to be voted on, please call Georgeson Inc. at (888) 605-8334.

It is important that your vote be received no later than the time of the Meeting.

Sincerely,

R. Jay Gerken

President and Chief Executive Officer

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WESTERN ASSET HIGH INCOME FUND INC.

IMPORTANT NEWS FOR STOCKHOLDERS

The enclosed combined Proxy Statement/Prospectus describes a proposal to elect three Class I Directors and one Class II Director to the Board of Directors of Western Asset High Income Fund Inc. (HIF) and a proposal to merge HIF with and into Western Asset High Income Opportunity Fund Inc. (HIO, and together with HIF, the Funds) in accordance with the Maryland General Corporation Law (the Merger).

While we encourage you to read the full text of the enclosed combined Proxy Statement/Prospectus, here is a brief overview of the proposed Merger. Please refer to the more complete information contained elsewhere in the combined Proxy Statement/Prospectus about the Merger.

COMMON QUESTIONS ABOUT THE PROPOSED MERGER

Q. Why am I receiving the Proxy Statement/Prospectus?

A. You are being asked to vote in favor of proposals to:

1. elect three Class I Directors and one Class II Director to the Board of Directors of HIF.

2. approve the merger of HIF with and into HIO in accordance with the Maryland General Corporation Law.

Q. How do the Directors suggest that I vote on the election of Directors?

A. After careful consideration, HIF s Board of Directors unanimously recommends that you vote FOR each of the nominees for Director.

Q. How will the Merger affect me?

A. If the Merger is approved, HIF will be merged with and into HIO in accordance with the Maryland General Corporation Law. HIF s assets and liabilities will be combined with the assets and liabilities of HIO, and stockholders of HIF will become stockholders of HIO.

As a result of the Merger, each share of common stock of HIF would convert into an equivalent dollar amount (to the nearest $0.001) of full shares of common stock of HIO, based on the net asset value of each Fund on the date preceding the merger. HIO will not issue fractional shares to HIF stockholders. In lieu of issuing fractional shares, HIO will pay cash to each former HIF stockholder in an amount equal to the value of the fractional shares of HIO common stock that the investor would otherwise have received in the merger. The currently issued and outstanding

shares of HIO common stock will remain issued and outstanding.

Q. Why is the merger being recommended?

A. The Board believes that the Merger is in the best interests of HIF stockholders. HIF and HIO have near identical investment objectives and substantially similar policies and strategies, which will allow HIF stockholders to continue to have exposure to high-yield fixed income securities. Moreover, the Board believes that the size of HIO allows for additional opportunities for diversification. In addition, as a result of the Merger, the combined Fund may benefit from economies of scale, as one set of fixed expenses would be spread over a larger asset base, as well as from enhanced market liquidity. In particular, the total annual operating expenses borne by HIF stockholders are expected to decline from 1.15% to 0.88%. Also, the Merger will result in a more streamlined high yield product offering, allowing for more focused marketing and shareholder servicing efforts.

At a meeting held on February 13 and 14, 2013, the Board of Directors of each Fund, including all of the Directors who are not interested persons of the Funds under the Investment Company Act of 1940, as amended (the Independent Directors), unanimously approved an Agreement and Plan of Merger with respect to both Funds.

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Q. Are HIO s investment objectives and policies similar to those of HIF?

A. HIF and HIO have near identical investment objectives and substantially similar policies and strategies. HIF s primary investment objective is to maintain a high level of current income. As a secondary objective, HIF seeks capital appreciation. Similarly, HIO s primary investment objective is to seek high current income. As a secondary objective, HIO seeks capital appreciation.

Under normal market conditions, HIF invests at least 80% of its net assets plus any borrowings for investment purposes in high-yield debt securities issued by U.S. and foreign corporations and foreign governments. HIF may invest up to 50% of its total assets in non-U.S. dollar-denominated securities. In addition, HIF may invest up to 20% of the value of its total assets, measured at the time of investment, in illiquid securities.

In seeking to fulfill its investment objectives, HIO invests, under normal market conditions, at least 80% of its net assets plus any borrowings for investment purposes in high-yielding corporate debt securities and preferred stocks and up to 20% in common stock equivalents, including options, warrants and rights. In addition, HIO may invest up to 20% of its total assets in the securities of foreign issuers that are denominated in currencies other than the U.S. dollar and may invest without limitation in securities of foreign issuers that are denominated in U.S. dollars. Furthermore, HIO may invest up to 15% of its assets in illiquid securities.

In general, HIO has greater flexibility to invest in equity securities, yet less flexibility to invest in foreign government securities. Moreover, Western Asset Management Company Pte. Ltd. (Western Singapore) currently serves as one of HIF s subadvisers, but not as one of HIO s. LMPFA currently anticipates that Western Singapore will not be a subadviser to the merged Fund and that this fact will not have any impact on Western Asset s ability to manage the merged Fund s portfolio securities. Under Western Singapore s subadvisory agreement, Western Asset pays Western Singapore a fee for any of HIF s assets managed by Western Singapore. Currently, Western Singapore does not manage any of HIF s assets, and therefore is not receiving any subadvisory fee from Western Asset related to HIF.

The current investment objectives and policies of HIO will continue unchanged if the Merger occurs.

Please see Comparison of Investment Objectives, Strategies, and Principal Risks of Investing in the Funds in the Proxy Statement/Prospectus for a more complete comparison of the Funds investment objectives, policies and a summary of the principal risks of investing in the Funds.

Q. How will the Merger affect Fund fees and expenses?

A. HIF currently pays LMPFA an investment management fee, calculated daily and paid monthly, at an annual rate of 0.70% of HIF s average weekly net assets. HIO currently pays LMPFA, which is also HIO s investment manager, an investment management fee, calculated daily and paid monthly, at an annual rate of 0.80% of average daily net assets.

Although HIO s investment management fee is higher than HIF s, HIF also pays 0.45% in other expenses based on its average daily net assets, whereas HIO only pays 0.08% in other expenses based on its average daily net assets. As a result of the Merger, total expenses paid by HIF stockholders are expected to decline from 1.15% (for the fiscal year ended December 31, 2012) to approximately 0.88% in the combined Fund.

Q. Will I have to pay any taxes as a result of the Merger?

A. The Merger is intended to qualify as a tax-free reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended. Assuming the Merger qualifies for such treatment, you generally will not recognize a gain or loss for federal income tax purposes as a result of the merger. HIF stockholders may, however, recognize gain or loss with respect to any cash those stockholders receive pursuant to the Merger in lieu of fractional shares. As a condition to the closing of the Merger, HIF and HIO will each receive an opinion of counsel to the effect that the Merger will qualify for such treatment. Opinions of counsel are not binding on the Internal Revenue Service or the courts. You should talk to your tax advisor about any state, local and other tax consequences of the Merger. See Proposal 2 Information About the Proposed Merger Federal Income Tax Consequences.

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Q. Who will pay for the Merger?

A. The costs of preparing, printing, assembling and mailing material in connection with this solicitation of proxies are estimated to be approximately $45,000, and will be borne exclusively by HIF. Any additional costs of the Merger relating to HIO will be borne by LMPFA and the additional costs of the Merger relating to HIF will be borne by HIF. The additional costs of the Merger relating to HIF are estimated to be approximately $131,000.

Q. How does the Board recommend that I vote on the Merger?

A. After careful consideration, HIF s Board of Directors, including all of the Independent Directors, unanimously recommends that you vote FOR the Merger.

Q. What will happen if the Merger is not approved?

A. If the Merger is not approved, HIF will continue as a separate investment company, and HIF s Board of Directors will consider such alternatives as it determines to be in the best interests of stockholders, including reproposing the Merger.

Q. When is the Merger expected to happen?

A. If HIF s stockholders approve the Merger, the Merger is expected to occur on or about June 14, 2013.

Q. Will my vote make a difference?

A. Your vote is very important and can make a difference in the governance of HIF, no matter how many shares you own. Your vote can help ensure that the proposals recommended by the Board of Directors can be implemented. We encourage all stockholders to participate in the governance of HIF.

Q. Whom do I call if I have questions?

A. If you need more information, or have any questions about voting, please call Georgeson Inc., HIF s proxy solicitor, at (888) 605-8334.

Q. How do I vote my shares?

A. You can provide voting instructions by telephone by calling the toll-free number on the enclosed proxy card or electronically by going to the Internet address provided on the proxy card and following the instructions, using your proxy card as a guide. Alternatively, you can vote your shares by signing and dating the enclosed proxy card and mailing it in the enclosed postage-paid envelope.

You may also attend the Meeting and vote in person. However, even if you intend to attend the Meeting, we encourage you to provide voting instructions by one of the methods described above.

It is important that you vote promptly.

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WESTERN ASSET HIGH INCOME FUND INC.

620 Eighth Avenue

New York, New York 10018

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

, 2013

To the Stockholders:

The Annual Meeting of Stockholders (the Meeting) of Western Asset High Income Fund Inc. (HIF) will be held at 620 Eighth Avenue, 49th Floor, New York, New York, on May 31, 2013 at 10:00 a.m., Eastern Time, to consider and vote on the following proposals, as more fully described in the enclosed Proxy Statement/ Prospectus:

1. A proposal to elect three Class I Directors and one Class II Director to the Board of Directors of Western Asset High Income Fund Inc.

2. A proposal to approve the merger of Western Asset High Income Fund Inc. with and into Western Asset High Income Opportunity Fund Inc. in accordance with the Maryland General Corporation Law.

3. The transaction of such other business as may be properly presented at the Meeting or any adjournments or postponements thereof.

The Board recommends that you vote FOR each Proposal upon which you are being asked to vote.

Stockholders of record at the close of business on March 22, 2013 are entitled to vote at the Meeting and at any adjournments or postponements thereof.

By order of the Board of Directors,

Robert I. Frenkel

Secretary

, 2013

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INSTRUCTIONS FOR SIGNING PROXY CARDS

The following general rules for signing proxy cards may be of assistance to you and avoid the time and expense to HIF involved in validating your vote if you fail to sign your proxy card properly.

1. *Individual Accounts:* Sign your name exactly as it appears in the registration on the proxy card.

2. *Joint Accounts:* Either party may sign, but the name of the party signing should conform exactly to a name shown in the registration.

3. *All Other Accounts:* The capacity of the individual signing the proxy card should be indicated unless it is reflected in the form of registration. For example:

Registration	Valid Signature
Corporate Accounts	
(1) ABC Corp.	ABC Corp. (by John Doe, Treasurer)
(2) ABC Corp.	John Doe, Treasurer
(3) ABC Corp., c/o John Doe, Treasurer	John Doe
(4) ABC Corp. Profit Sharing Plan	John Doe, Trustee
Trust Accounts	
(1) ABC Trust	Jane B. Doe, Trustee
(2) Jane B. Doe, Trustee, u/t/d 12/28/78	Jane B. Doe
Custodial or Estate Accounts	
(1) John B. Smith, Cust., f/b/o John B. Smith, Jr. UGMA	John B. Smith
(2) John B. Smith	John B. Smith, Jr., Executor

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The information contained in this Proxy Statement/Prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This Proxy Statement/Prospectus is not an offer to sell these securities, and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED APRIL 17, 2013

PROXY STATEMENT/PROSPECTUS

, 2013

PROXY STATEMENT FOR:

WESTERN ASSET HIGH INCOME FUND INC.

620 Eighth Avenue

New York, New York 10018

1-888-777-0102

PROSPECTUS FOR:

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

620 Eighth Avenue

New York, New York 10018

1-888-777-0102

This combined Proxy Statement and Prospectus (the Proxy Statement/Prospectus) is being furnished in connection with the solicitation of proxies by the Board of Directors (the Board) of Western Asset High Income Fund Inc. (HIF) for HIF s 2013 Annual Meeting of Stockholders (the Meeting). The Meeting will be held Friday, May 31, 2013 at 620 Eighth Avenue, 49th Floor, New York, New York at 10:00 a.m., Eastern Time. At the Meeting, stockholders of HIF will be asked to consider and act upon the following:

1. A proposal to elect three Class I Directors and one Class II Director to the Board of Directors of Western Asset High Income Fund Inc.

2. A proposal to approve the merger of Western Asset High Income Fund Inc. with and into Western Asset High Income Opportunity Fund Inc. in accordance with the Maryland General Corporation Law.

3. The transaction of such other business as may be properly presented at the Meeting or any adjournments or postponements thereof.

If Proposal 2 is approved, as a result of the merger of HIF with and into Western Asset High Income Opportunity Fund Inc. (HIO, and together with HIF, the Funds) in accordance with the Maryland General Corporation Law (the Merger), each share of common stock, par value $0.001 per share, of HIF (the HIF Common Shares) would convert into an equivalent dollar amount (to the nearest $0.001) of full shares of common stock, par value $0.001 per share, of HIO (the HIO Common Shares), based on the net asset value of each Fund on the date preceding the Merger. HIO will not issue fractional HIO Common Shares to holders of HIF Common Shares. In lieu of issuing fractional shares, HIO will pay

cash to each former holder of HIF Common Shares in an amount equal to the value of the fractional HIO Common Shares that the investor would otherwise have received in the Merger. Although the HIO Common Shares received in the Merger will have the same total net asset value as the HIF Common Shares held immediately before the Merger (disregarding fractional shares), their stock price on the New York Stock Exchange (NYSE) may be greater or less than that of the HIF Common Shares, based on current market prices persisting at the time of the Merger. All HIO Common Shares currently issued and outstanding will remain issued and outstanding following the Merger.

The Board believes that the Merger is in the best interests of HIF stockholders. HIF and HIO have near identical investment objectives and substantially similar policies and strategies, which will allow HIF stockholders to continue to have

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exposure to high-yield fixed income securities. Moreover, the Board believes that the size of HIO allows for additional opportunities for diversification. In addition, as a result of the Merger, the Board believes the combined Fund may benefit from economies of scale, as one set of fixed expenses would be spread over a larger asset base, as well as from enhanced market liquidity. Also, the Merger will result in a more streamlined high yield product offering, allowing for more focused marketing and shareholder servicing efforts.

At a meeting held on February 13 and 14, 2013, the Board of Directors of each Fund, including all of the Directors who are not interested persons of the Funds under the Investment Company Act of 1940, as amended (the 1940 Act) (the Independent Directors), unanimously approved an Agreement and Plan of Merger with respect to both Funds.

HIF was incorporated in Maryland on September 14, 1992; HIO was incorporated in Maryland on July 30, 1993. Both HIF and HIO are closed-end, diversified management investment companies listed on the NYSE.

HIF s primary investment objective is to maintain a high level of current income. As a secondary objective, HIF seeks capital appreciation. Similarly, HIO s primary investment objective is to seek high current income. As a secondary objective, HIO seeks capital appreciation. The current investment policies of HIO, which differ from those of HIF, will continue unchanged if the Merger occurs. Please see Proposal 2 Comparison of Investment Objectives, Strategies, and Principal Risks of Investing in the Funds in the Proxy Statement/Prospectus for a more complete comparison of the Funds investment objectives and policies.

The Merger will be effected pursuant to an Agreement and Plan of Merger, a form of which is attached to this Proxy Statement/Prospectus as Appendix A. The material terms and conditions of the Agreement and Plan of Merger are summarized in this Proxy Statement/Prospectus. See Proposal 2 Information About the Proposed Merger-The Agreement and Plan of Merger.

This Proxy Statement/Prospectus serves as a prospectus for HIO Common Shares under the Securities Act of 1933, as amended (the Securities Act), in connection with the issuance of HIO Common Shares in the Merger.

Assuming the holders of HIF Common Shares approve the Merger and all other conditions to the consummation of the Merger are satisfied or waived, the Funds will jointly file articles of merger (the Articles of Merger) with the State Department of Assessments and Taxation of Maryland (the SDAT). The Merger will become effective when the SDAT accepts for record the Articles of Merger or at such later time, which may not exceed 30 days after the Articles of Merger are accepted for record, as specified in the Articles of Merger. The date when the Articles of Merger are accepted for record, or the later date, is referred to in this Proxy Statement/Prospectus as the Closing Date. HIF, as soon as practicable after the Closing Date, will withdraw its registration under the 1940 Act.

The Merger is being structured as a tax-free reorganization for federal income tax purposes. See Proposal 2 Information About the Proposed Merger Federal Income Tax Consequences. Stockholders should consult their tax advisors to determine the actual impact of the Merger on them in light of their individual tax circumstances.

You should retain this Proxy Statement/Prospectus for future reference as it sets forth concisely information about HIF and HIO that you should know before voting on the proposed Merger described below.

A Statement of Additional Information (SAI) dated , 2013, which contains additional information about the Merger and the Funds, has been filed with the Securities and Exchange Commission (SEC). The SAI, as well as HIF s Annual Report to Stockholders for the Fiscal Year Ended December 31, 2012, filed with the SEC on March 1, 2013 (accession no. 0001104659-13-016810) and HIO s Annual Report to Stockholders for the Fiscal Year Ended September 30, 2012, filed with the SEC on November 26, 2012 (accession no. 0001104659-12-079835), and, which highlight certain important information such as investment performance and expense and financial information, are incorporated by reference into this Proxy Statement/Prospectus. In addition, stockholder reports, proxy materials and other information concerning HIO (File No. 811-07920) and HIF (File No. 811-07162) can be inspected at the NYSE. You may receive free of charge a copy of the SAI, or the annual report and semi-annual report for either Fund, by contacting HIF and HIO at 888-777-0102, by writing either Fund at the address listed above or by visiting our website at www.lmcef.com.

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In addition, you can copy and review this Proxy Statement/Prospectus and the complete filing on Form N-14 containing the Proxy Statement/Prospectus (File No. 333-187302) and any of the above-referenced documents at the SEC s Public Reference Room in Washington, DC. You may obtain information about the operation of the Public Reference Room by calling the SEC at 202-551-8090. Reports and other information about each Fund are available on the EDGAR Database on the SEC s Internet site at *www.sec.gov.* You may also obtain copies of this information, after paying a duplicating fee, by electronic request at the following e-mail address: *publicinfo@sec.gov*, or by writing the SEC s Public Reference Room, 100 F Street, N.E., Washington, DC 20549.

HIF Common Shares are listed on the NYSE under the symbol HIF, and HIO Common Shares are listed on the NYSE under the symbol HIO. After the Closing Date, HIO Common Shares will continue to be listed on the NYSE under the symbol HIO.

The information contained herein concerning HIF and HIO has been provided by, and is included herein in reliance upon, HIF and HIO, respectively.

The Securities and Exchange Commission has not approved or disapproved these securities nor passed upon the accuracy or adequacy of this Proxy Statement/Prospectus. Any representation to the contrary is a criminal offense.

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PROPOSAL 1 TO ELECT THREE CLASS I DIRECTORS AND ONE CLASS II DIRECTOR TO HIF S BOARD OF DIRECTORS

Background

In accordance with HIF s charter, HIF s Board of Directors is divided into three classes: Class I, Class II and Class III. The terms of office of HIF s Class I Directors expire at the Meeting. Stockholders are being asked to elect three Class I Directors at the Meeting to hold office until the consummation of the Merger or, if HIF stockholders do not approve the Merger, until the 2016 Annual Meeting of Stockholders, or thereafter until his successor is duly elected and qualified. One person has also been nominated by the Board of Directors for election at the Meeting as a Class II Director for a term of one year (until the 2014 Annual Meeting of Stockholders), until the consummation of the Merger or, if HIF stockholders do not approve the Merger, until her successor has been duly elected and qualified or until she resigns or is otherwise removed. The term of office of each of the remaining Class II and Class III Directors expires at the year 2014 or 2015 Annual Meeting of Stockholders, respectively, or thereafter when his or her successor is duly elected and qualified, or until the consummation of the Merger. The effect of these staggered terms is to limit the ability of other entities or persons to acquire control of the Fund by delaying the replacement of a majority of the Board of Directors.

Similarly, in accordance with HIO s charter, HIO s Board of Directors is also divided into three classes: Class I, Class II and Class III. The terms of office of HIO s Class I, Class II and Class III Directors expire at HIO s 2014, 2015 and 2016 Annual Meetings of Stockholders, respectively, or thereafter when his or her successor is duly elected and qualified. The same individuals (including the nominees for election to HIF s Board of Directors) serve as the Directors of both HIF and HIO.

The persons named in the proxy intend to vote at the Meeting (unless directed not to vote) FOR the election of the nominees named below. Each of the nominees is currently a member of HIF s Board of Directors and has indicated that he or she will serve if elected. However, if any nominee should be unable to serve, the proxy will be voted for any other person determined by the persons named in the proxy in accordance with their judgment.

The following table provides information concerning the nominees for election as Directors of HIF. These individuals are also currently Directors of HIO.

Name, Address and Age	Position(s) Held with the Funds	Length of Term Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex[1] Overseen by Nominee (Including the Fund)	Other Directorships Held by Nominee
NON-INTERESTED NOMINEES					
Daniel P. Cronin c/o Chairman of the Fund Legg Mason & Co., LLC (Legg Mason & Co.) 620 Eighth Avenue New York, NY 10018 Birth Year: 1946	Director and Member of Audit and Nominating Committees; Class I (HIF), Class I (HIO)	Since 1993 (HIF), Since 2007 (HIO)	Retired; formerly, Associate General Counsel, Pfizer, Inc.	29	None
William R. Hutchinson c/o Chairman of the Fund	Director and Member of Audit and Nominating Committees; Class I (HIF),	Since 2003 (HIF), Since 2007 (HIO)	President, W.R. Hutchinson & Associates Inc. (oil industry consulting)	29	Director of Associated Banc-Corp.

Legg Mason & Co. Class III (HIO)

620 Eighth Avenue

New York, NY 10018

Birth year: 1942

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Name, Address and Age	Position(s) Held with the Funds	Length of Term Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex[1] Overseen by Nominee (Including the Fund)	Other Directorships Held by Nominee
Jeswald W. Salacuse c/o Chairman of the Fund Legg Mason & Co. 620 Eighth Avenue New York, NY 10018 Birth year: 1938	Director and Member of Nominating and Audit Committees; Class I (HIF), Class I (HIO)	Since 1993 (HIF), Since 2007 (HIO)	Henry J. Braker Professor of Commercial Law and formerly Dean, The Fletcher School of Law & Diplomacy, Tufts University (since 1986); President, Arbitration Tribunal, World Bank/CSID (since 2004)	29	Director of two registered investment companies advised by Blackstone Asia Advisors L.L.C. (Blackstone Advisors)
Eileen Kamerick c/o Chairman of the Fund Legg Mason & Co. 620 Eighth Avenue New York, NY 10018 Birth Year: 1958	Director and Member of Nominating and Audit Committees; Class II (HIF), Class II (HIO)	Since 2013 (HIF), Since 2013 (HIO)	CFO, Press Ganey Associates (health care informatics company) (since 2012); formerly Managing Director and CFO, Houlihan Lokey (international investment bank) (2010 to 2012); Senior Vice President, CFO & CLO, Tecta America Corp (commercial roofing company) (2008 to 2010); Executive Vice President and CFO, Bearing Point Inc. (management and technology consulting firm) (2008); Executive Vice President, CFO and CAO Heidrick & Struggles (international executive search and leadership consulting firm) (2004 to 2008)	29	Director of Associated Banc-Corp (since 2007); Westell Technologies, Inc. (technology company) (since 2003)

T. Rowe Price Associates, Inc.

100 E. Pratt Street,

Baltimore, Maryland 21202

8,312,467 10.9% 6.8%

(a) The percentage of voting power includes both the voting power of Class A common stock and Class B common stock in the aggregate.

(b) Represents 100% of the Class B common stock.

(c) The Lazard Group common membership interests issued to LAZ-MD Holdings are exchangeable for shares of our Class A common stock on a one-for-one basis. As each of these Lazard Group common membership interests is associated with an outstanding exchangeable interest issued by LAZ-MD Holdings to its members, LAZ-MD Holdings disclaims beneficial ownership of the shares of Class A common stock into which the Lazard Group common membership interests are exchangeable.

(d) LAZ-MD Holdings holds the single outstanding share of Class B common stock, which as of March 6, 2009, represents approximately 37.4% of the voting stock of all shares of our voting stock. This single share generally will entitle our managing directors holding LAZ-MD Holdings exchangeable interests who are party to the LAZ-MD Holdings stockholders agreement to one vote per share of each LAZ-MD Holdings exchangeable interest held by them on a pass through basis.

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BENEFICIAL OWNERSHIP OF DIRECTORS, DIRECTOR NOMINEES AND EXECUTIVE OFFICERS

The following table shows the number of shares of Class A common stock that each director, each executive officer named in the summary compensation table and all directors and executive officers as a group have reported as owning beneficially or otherwise having a pecuniary interest in, as of March 6, 2009. To our knowledge, except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned by them. The address for each listed person is c/o Lazard Group LLC, 30 Rockefeller Plaza, New York, New York 10020.

Name of Beneficial Owner	Shares of Class A Common Stock	Percentage of Class A Common Stock	Shares of Class A Common Stock (assuming full exchange of all LAZ-MD exchangeable interests) (a) (b)	Percentage of Class A Common Stock (assuming full exchange of all LAZ-MD exchangeable interests)	Percentage of Voting Power (c)
Bruce Wasserstein (d)	1,878,595	2.5%	11,836,791	9.7%	9.7%
Ronald J. Doerfler		*	6,885	*	*
Dominique Ferrero (e)	6,999,800	9.1%	7,006,539	5.7%	5.7%
Steven J. Heyer		*	16,570	*	*
Sylvia Jay		*	7,208	*	*
Ellis Jones (d)	329,500	*	8,321,236	6.8%	6.8%
Vernon E. Jordan, Jr.	6,400	*	250,687	*	*
Philip A. Laskawy	3,000		5,783	*	*
Hal S. Scott		*	7,595	*	*
Michael J. Turner		*	7,208	*	*
Michael J. Castellano		*	304,513	*	*
Steven J. Golub		*	1,150,384	*	*
Alexander F. Stern		*	169,174	*	*
Charles G. Ward, III		*	1,015,045	*	*
All directors and executive officers as a group (fifteen persons)			22,169,442	18.1%	18.1%

* Less than 1% beneficially owned.

(a) For each of our executive officers and Mr. Jordan, their share ownership in this column includes shares of our Class A common stock that are issuable upon exchange of the LAZ-MD Holdings exchangeable interests held by such person and, in the case of Mr. Wasserstein, the Wasserstein family trusts. Voting of the LAZ-MD Holdings exchangeable interests is subject to voting provisions in the LAZ-MD Holdings stockholders agreement and is included in the 37.4% voting interest of LAZ-MD Holdings. See Certain Relationships and Related Transactions LAZ-MD Holdings Stockholders Agreement. The interests are included on an as exchanged basis. In the case of Mr. Wasserstein, 33% of his interests are currently exchangeable, and absent an acceleration event, his remaining interests will become exchangeable, pro-rata on May 10, 2009 and May 10, 2010. In the case of our other executive officers and Mr. Jordan, 50% of their remaining interests will become exchangeable on May 10, 2009 and 50% on May 10, 2010. The share ownership in this column does not include any RSUs issued to the named executive officers and Mr. Jordan. As of March 6, 2009, each of our named executive officers and Mr. Jordan held unvested RSUs as follows: Mr. Wasserstein, 4,376,831; Mr. Castellano, 62,066; Mr. Golub, 628,792; Mr. Stern, 131,390; Mr. Ward, 185,326; and Mr. Jordan, 82,639.

(b) This column also includes shares of Class A common stock that are subject to issuance in the future with respect to the DSUs issued to our non-executive directors under Lazard s directors compensation program in the following aggregate amounts: Mr. Doerfler, 6,885 shares; Mr. Ferrero, 6,739 shares; Mr. Heyer,

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16,570 shares; Lady Jay, 7,208 shares; Mr. Jones, 12,877 shares; Mr. Laskawy 2,783 shares; Prof. Scott, 7,595 shares; and Mr. Turner, 7,208 shares. These DSUs convert to Class A common stock on a one-for-one basis after a director resigns or otherwise ceases to be a member of the Board. See Director Compensation for 2008.

(c) The percentage of voting power includes the aggregate voting power of both the Class A common stock and Class B common stock.

(d) Each of Mr. Wasserstein s and Mr. Jones share ownership includes (i) 329,500 shares of our common stock and (ii) 7,978,859 shares of our common stock that are issuable upon exchange of the LAZ-MD Holdings exchangeable interests, in each case held by a Wasserstein family trust for the benefit of Mr. Wasserstein s family and over which Mr. Wasserstein does not have control. The voting power over these shares and the exchangeable interests held by this Wasserstein family trust is vested in Mr. Jones, who is a member of our Board, and in members of Mr. Wasserstein s family, as trustees. Neither Mr. Wasserstein nor Mr. Jones has any beneficial or other ownership interest in these shares. The total holdings of Mr. Wasserstein and the Wasserstein family trust, including shares underlying Mr. Wasserstein s unvested RSUs and assuming full exchange of all LAZ-MD exchangeable interests, in Lazard Class A common stock, in the aggregate, is 16,213,622 shares. From time to time, Mr. Wasserstein enters into general lines of credit. Amongst the other assets that he has pledged under these lines of credit are the shares of our Class A common stock that he owns.

(e) Includes 6,999,800 shares of our Class A common stock that are held by Natixis. Mr. Ferrero is the Chief Executive Officer and a member of the Executive Board of Natixis.

COMPENSATION DISCUSSION AND ANALYSIS

Philosophy and Objectives of Our Compensation Programs

General. Our compensation programs are designed to attract, retain and motivate executives and professionals of the highest level of quality and effectiveness. These compensation programs focus on rewarding the types of performance that increase shareholder value, including growing revenue, retaining clients, developing new client relationships, improving operational efficiency and managing risks. A substantial portion of each executive s total compensation is intended to be variable and delivered on a pay-for-performance basis. The programs will provide compensation opportunities, contingent upon performance, that are competitive with practices of other similar financial services organizations. We target annual operating revenue, earnings and total shareholder return* as our key performance metrics. We have a compensation policy that targets our ongoing employee compensation and benefits expense in our traditional businesses, excluding special items, to not exceed 57.5% of operating revenue. Although in prior years we have been able to achieve this target, this policy may change in the future, including to adapt to changes in the economic environment, or a change that may be necessitated by lower operating revenues or to fund a major expansion. In allocating compensation to our executive officers, managing directors and other senior professionals, the primary emphasis, in addition to our performance, is on each individual s contribution to the Company, business unit performance and compensation recommendations of the individuals to whom participants report. The Compensation Committee monitors the effectiveness of our compensation programs throughout the year and performs an annual reassessment of the programs in January of each year in connection with year-end compensation decisions. The Committee directly engaged Steven Hall & Partners, LLC, an independent compensation consulting firm, to assist it with benchmarking and compensation analyses.

Competitive Compensation Considerations. Because the competition to attract and retain high performing executives and professionals in the financial services industry is intense, the amount of total compensation paid to our executives must be considered in light of competitive compensation levels. In this regard, for our named executive officers, the Compensation Committee used as a benchmark an independently prepared survey regarding compensation levels in 2007 and, to the extent available, 2008, for comparable positions at Black

* Total shareholder return reflects the share price performance of Lazard s Class A common stock, assuming the full reinvestment of any dividends, over the time period selected.

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Rock, Inc., Goldman Sachs Group, Inc., Greenhill & Co., Inc., Jefferies Group, Inc., Legg Mason, Inc., Merrill Lynch & Co., Inc. and Morgan Stanley. While some of the companies listed above are larger than Lazard, we chose this comparator group because we compete in the same marketplace with these companies for highly qualified and talented financial service professionals. In 2008, a number of our primary competitors suffered significant financial losses and sought government assistance through the Troubled Asset Relief Program (TARP). As a result, many of their senior executives did not receive a year-end bonus. In contrast, the Compensation Committee noted that Lazard s business model has survived intact and that Lazard has performed reasonably well relative to the industry in general and therefore the comparator data was not as meaningful in 2008.

Design of Our Compensation Programs

Compensation for each of our executive officers, managing directors and other senior professionals is viewed on a total compensation basis and then subdivided into two primary categories base salary and incentive compensation. From time to time the Compensation Committee may grant a special retention award for key employees. See Compensation for Each of Our Named Executive Officers in 2008 Mr. Wasserstein for a discussion of the special retention award granted to Mr. Wasserstein in January 2008 in connection with our entry into a new five-year employment agreement with him. Our annual incentive compensation awards since our IPO in 2005 have had two components: a cash bonus and an equity based award. In 2008, due to the affects of the unprecedented disruption and volatility in the financial markets and the consequent general slowing of economic growth both in the U.S. and globally on our results of operations and the price of our common stock, senior management recommended to the Compensation Committee that the total mix of incentive compensation be altered to add a deferred cash component. The deferred cash awards reduced the overall amount of the equity awards being granted at a time when senior management viewed the market price of our common stock as being undervalued, even though our financial position remains strong with approximately $1 billion in cash and marketable equity securities at the end of 2008. Decisions with regard to incentive compensation are generally made in January of each year and are based on Company and individual performance in the prior fiscal year. The Compensation Committee determines and approves the total compensation package (salary and incentive compensation award) to be paid to our chief executive officer, Mr. Wasserstein.
Mr. Wasserstein, in turn, makes recommendations to the Compensation Committee as to the total compensation package to be paid to the other executive officers, which are then subject to the review and approval of the Compensation Committee. Before any year-end compensation decisions are made, the Compensation Committee reviews a comprehensive tally sheet of all elements of each executive officer s compensation. The tally sheets include information on cash and non-cash compensation (including current and prior base salaries, annual bonuses, RSUs and deferred cash awards), the value of benefits and other perquisites paid to our executive officers, the value of unrealized gains/losses on prior equity-based awards and the LAZ-MD Holdings exchangeable interests held by each of our executive officers, as well as potential amounts to be delivered under all post-employment scenarios. The tally sheets are used to ensure that each member of the Compensation Committee has a complete picture of the compensation and benefits paid to, and equity holdings of, each of our executive officers and is just one of the tools used by the Compensation Committee in evaluating the total mix of information considered in making year-end compensation decisions.

Base Salary. Base salaries are intended to reflect the experience, skill and knowledge of our executive officers, managing directors and other senior professionals in their particular roles and responsibilities, while retaining the flexibility to appropriately compensate for performance, both of the firm and the individual. Base salaries for our executive officers and any subsequent adjustments thereto are reviewed and approved by the Compensation Committee annually, based on a review of relevant market data and each executive s performance for the prior year, as well as each executive s experience, expertise and position. Each of our named executive officers is currently a party to a retention or employment agreement with Lazard that provides for a minimum annual base salary during the term of those agreements. See Retention Agreements with Named Executive Officers.

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Incentive Compensation. Incentive compensation is a key component of our executive compensation strategy. Incentive compensation payouts can be highly variable from year to year and are generally based on our operating revenue, earnings and total shareholder return in the immediately preceding fiscal year, as well as each individual s contribution to revenue and to the Company s development, including business unit performance. In addition, careful attention is paid to competitive compensation practices in the financial services industry.

In January of each year a determination is made as to the total amount of incentive compensation to be awarded to our managing directors, including our named executive officers, based on Company and individual performance in the prior fiscal year. This year, given the economic downturn faced by all companies in the financial services industry, including Lazard, and management s view that the trading price of our common stock in the fourth quarter of 2008 and January of 2009 was undervalued, senior management recommended that the Compensation Committee add a deferred cash award to the mix of incentive compensation. This recommendation was based on the view that the deferred cash awards are less dilutive to shareholders. A deferred cash award also provides the recipient with greater certainty as to the ultimate value of his or her award upon vesting. In determining the allocation of incentive compensation to be paid to our managing directors, including our named executive officers (other than Mr. Wasserstein), the Committee generally applied a formula based on total compensation as follows: 15% to 30% cash (including base salary); 40% to 55% as a deferred cash award; and 30% as an equity based award. The current cash portion of total compensation varied principally due to an individual s base salary earned in 2008. In light of Mr. Wasserstein s unique role within our organization, which resulted in our entry into a five-year retention agreement with him in January 2008, the process for determining Mr. Wasserstein s incentive compensation for 2008 is different in several respects from the process that applies to our other managing directors (including our other named executive officers). For a discussion of how the Compensation Committee determined Mr. Wasserstein s incentive compensation for 2008, see the discussion under the caption Compensation for Each of Our Named Executive Officers in 2008 Mr. Wasserstein.

For 2008, equity-based compensation was awarded in the form of RSUs granted under either the 2005 Equity Incentive Plan or the 2008 Incentive Compensation Plan. An RSU is a contractual right to receive a share of our Class A common stock upon vesting of the RSU. The RSUs granted to our named executive officers in 2009 (which relate to 2008 performance) generally vest approximately four years after the date of grant, subject to the executive s continued service with the Company. See Grant of Plan Based Awards below for a discussion of the terms of the RSUs. The purpose of the RSU awards is to maximize shareholder value by aligning the long-term interests of our senior executives with those of our shareholders. Each individual who receives an RSU becomes, economically, a long-term shareholder of Lazard, with the same interests as our other shareholders. This economic interest results because the amount a recipient ultimately realizes from an RSU depends on the value of our Class A common stock when actual shares are delivered upon vesting. The number of RSUs that an individual is granted is generally determined based on our stock price on the date of grant. RSUs also serve as an important retention mechanism for Lazard by putting a significant portion of each recipient s compensation at risk of forfeiture if he or she leaves the firm prior to the vesting date. In addition, our named executive officers each own considerable interests in Lazard through their holdings of LAZ-MD Holdings exchangeable interests and previous grants of RSUs. For additional information about the holdings of RSUs, LAZ-MD exchangeable interests and shares of our Class A common stock by each of our named executive officers, see Beneficial Ownership of Directors, Director Nominees and Executive Officers and Outstanding Equity Awards at 2008 Fiscal Year-End . As a result, we believe our executive officers have a demonstrable and significant interest in increasing shareholder value over the long term.

RSU awards are typically made at the end of January promptly following our year-end earnings release. This year, RSUs were granted to each of our named executive officers (other than Mr. Wasserstein) on February 10, 2009, approximately one week after our public announcement of year-end earnings. The number of RSUs granted in 2009 (which relate to 2008 performance) was determined by dividing the dollar amount allocated to be granted as an equity based award by the closing price of our Class A common stock on the NYSE on February 9, 2009 ($31.17), which was the day before the grant date. The RSUs granted on February 10, 2009, will generally vest on March 1, 2013.

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As noted above, for the first time the Compensation Committee decided to use deferred cash awards in 2009 as a means of providing long-term incentive compensation to our managing directors, including each of our named executive officers (other than Mr. Wasserstein). The deferred cash awards provide a contractual right to receive a fixed amount in cash within 30 days following the date the award vests, subject to the executive s continued service with the Company. The vesting dates vary based upon the terms of each managing director s award and may occur on November 30, 2009, November 30, 2010, February 28, 2012, and February 28, 2013. The deferred cash awards were granted to our named executive officers on February 10, 2009 (with the amount determined based on 2008 performance), and will generally vest in three equal installments on November 30, 2010, February 28, 2012, and February 28, 2013. Under the terms of the deferred cash awards, each recipient is entitled to accrue interest beginning on February 10, 2009, at a rate of 5% per annum on all installments vesting after the 2009 fiscal year. Interest on each installment will be paid annually following the end of the year or following the date the installment vests, whichever occurs first. These awards, like the RSU awards, also serve as an important retention mechanism for Lazard by putting a significant portion of each recipient s compensation at risk of forfeiture if he or she leaves the firm prior to the vesting date.

In exchange for their deferred cash awards and RSU awards, our named executive officers agreed to restrictions on their ability to compete with Lazard or to solicit our clients and employees, which serves to protect the Company s intellectual and human capital. Year-end incentive compensation awards are based on Company and individual performance during the prior fiscal year, and an executive officer s total equity interest in Lazard is not factored into the Compensation Committee s decision-making process concerning future equity based awards.

Impact of 2008 Performance on Compensation

In setting compensation levels for our employees, we primarily consider annual operating revenue and earnings. Our ratio of compensation and benefits expense to annual operating revenue is somewhat higher than that of most of the companies in our comparator group for three reasons. First, many of the companies in our comparator group are engaged in businesses, such as capital markets businesses, which have a large number of employees serving in administrative and support roles that generally pay their employees lower levels of compensation relative to our business. Second, part of our business strategy is to recruit and retain proven senior professionals who have strong client relationships and industry expertise. These individuals, because of the value they bring to the Company, command higher compensation. Third, many of the companies in our comparator group generate significant amounts of revenue in their capital markets business through the utilization of capital held on their balance sheet, which tends to increase the relative size of their annual operating revenues. These three factors cause our ratio of compensation and benefits expense to annual operating revenue to be higher than our competitors. For 2008, the Compensation Committee determined that, in light of our annual operating revenue of $1.68 billion, the target level of total compensation and benefits expense to operating revenue could be set at 55.6%, while still meeting our compensation and retention objectives. The Compensation Committee concluded that this ratio of total compensation and benefits expense to annual operating revenue was appropriate for us in light of its discussions with our executive officers, current economic conditions in the marketplace, information provided by Steven Hall & Partners, LLC, and our financial performance in 2008. Excluding a one time pre-tax compensation charge related to the LAM merger in the third quarter of 2008, this represents a 17.1% decrease in total compensation and benefits expense to $930.7 million for 2008 compared with $1,123.1 million for 2007. This decrease approximated our 16.9% decrease in annual operating revenue for 2008.

Compensation For Each of Our Named Executive Officers in 2008

2008 Base Salaries. In connection with our IPO in May 2005, we entered into new retention agreements with Messrs. Wasserstein, Castellano, Golub and Ward. These retention agreements had a term of three years, expiring in May 2008. In connection with the upcoming expiration of the agreement with Mr. Wasserstein, the Company entered into an amended and restated retention agreement with him on January 29, 2008. In addition,

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on May 7, 2008, the Company entered into an amended and restated retention agreement with Mr. Golub and amendments to the retention agreements with Messrs. Ward and Castellano. One element of the amendments for Messrs. Wasserstein, Golub and Ward was a reduction in their annual base salaries to $900,000, from $4.8 million, $1.5 million, and $1.5 million, respectively. These amounts were negotiated and were meant to ensure that Lazard would have the services of each of these executive officers during the term of their respective agreements. See Retention Agreements with Named Executive Officers.

The base salaries paid in 2008 to each of Messrs. Wasserstein, Golub and Ward reflect a blended rate based on the timing of the execution of their new agreements. Mr. Wasserstein received one month of salary at the previous rate, and Messrs. Golub and Ward received four months of salary at the previous rate. In each case, the reduction in base salary occurred at the earliest time permitted under their prior agreements. In fiscal year 2008, Mr. Wasserstein received an annual base salary of $1,225,000; Mr. Castellano, $500,000; Mr. Golub, $1,112,115; and Mr. Ward, $1,112,115. Mr. Stern was named the Company s chief operating officer in November 2008 and received a base salary of $750,000 for 2008, which was determined based on his experience, level of responsibility and the salaries for comparable positions at our core competitors.

2008 Incentive Compensation.

Mr. Wasserstein. In determining the amount of incentive compensation to be paid to our chief executive officer, Mr. Wasserstein, the Compensation Committee considered Mr. Wasserstein s individual performance and the Company s overall performance in 2008, against the goals and objectives previously established for him by the Compensation Committee. These goals and objectives (which did not include numerical targets) consisted principally of:

Company Performance:

- a review of operating revenue;
- net income; and
- total shareholder return.

Individual Performance:

- evaluating his leadership and effectiveness in continuing to develop and communicate the strategic vision necessary to position Lazard for future growth and profitability across Lazard s businesses and regions;
- motivating key employees and attracting and retaining new talent in financial advisory and asset management businesses;
- focusing Lazard Asset Management on improved investment performance;
- facilitating global integration by improved collaboration across units/offices worldwide;
- setting financial targets and presenting a plan to achieve goals to the Board; and
- keeping the Board informed and up-to-date regarding ongoing strategic, financial and operating issues and initiatives within Lazard.

In a year when there has been a severe market downturn and the entire financial services industry has been battered with unprecedented losses, the Compensation Committee made the following observations as they reflected on Mr. Wasserstein s performance in an extraordinary market environment:

Lazard s business and its business model have survived intact while a number of its larger competitors have filed for bankruptcy, agreed to be acquired by larger commercial banks, and/or have taken government assistance from the Troubled Asset Relief Program ;

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Lazard successfully retained key managing directors and other personnel that are critical to a business model based on intellectual capital and advice;

Lazard recruited a number of highly regarded managing directors from across varying industry segments;

Lazard s restructuring practice has begun to thrive during a time of declining M&A activity, consistent with the firm s counter-cyclical view of this business and financial advisory personnel have been efficiently shifted to meet firm needs;

Lazard s accomplishments resulted in its being named 2008 Bank of the Year by Investment Dealers Digest (IDD) and worked on three deals that were included among IDD s Deals of the Year ; and

Under Mr. Wasserstein s leadership, Lazard has articulated a clear mission, vision, and strategy during unprecedented economic turmoil in the financial services industry.

In evaluating the Company s and Mr. Wasserstein s performance, the Compensation Committee noted the following as set forth in our Current Report on Form 8-K filed on February 4, 2009:

operating revenue for the full year 2008 decreased 17% to $1.68 billion compared to $2.01 billion for 2007;

annual net income on a fully exchanged basis, excluding the after-tax charge relating to the LAM merger in the third quarter of 2008, decreased 39% to $196.4 million for 2008 from $322.7 million for 2007;

financial advisory operating revenue decreased 17% to $1.02 billion for the full year of 2008, compared to $1.24 billion for 2007, including a 16% decrease in M&A operating revenue to $814.7 million compared to $969.4 million in 2007; and

asset management operating revenue decreased 12% during the full year of 2008 to $628.7 million, compared to $717.3 million in 2007.

In determining Mr. Wasserstein s 2008 incentive compensation, the Compensation Committee also considered the special retention award of 2,700,000 RSUs (the Special Retention Award) granted to Mr. Wasserstein on January 29, 2008 in connection with his execution of a new five-year employment agreement. As described in our proxy statement for our 2008 Annual General Meeting of Shareholders, the new agreement was the result of robust negotiations between the non-executive members of our Board and Mr. Wasserstein. Recognizing that Mr. Wasserstein s prior three-year commitment to Lazard would expire in May 2008 (the third anniversary of our IPO), the Board ultimately determined that the amount of the grant was appropriate in light of Mr. Wasserstein s unique importance to Lazard, the anticipated difficulty of replacing Mr. Wasserstein should he decide to leave, the Board s desire to ensure his continued commitment to Lazard for a period of five years, and a review of the compensation of the chief executive officers of our comparator group, based on input from Steven Hall & Partners LLC. For additional details about the new employment agreement with Mr. Wasserstein, see the caption entitled New Employment Agreement with Mr. Wasserstein in our proxy statement for our 2008 Annual General Meeting of Shareholders, filed on March 24, 2008.

The Special Retention Award had a grant date value of $96,282,000 based solely on the per share closing price of Lazard s Class A common stock on the NYSE of $35.66 on January 29, 2008 and is not scheduled to vest until December 31, 2012. It was the express intention of the Compensation Committee that this Special Retention Award constitute a significant part of Mr. Wasserstein s compensation for each of the years in the five-year period ending December 31, 2012. Based on this view of the Special Retention Award, 20% of the grant date value, or approximately $19.3 million, based on the price of our Class A common stock on January 29, 2008, was attributable to Mr. Wasserstein s 2008 service to the Company. The Compensation Committee reviewed Lazard s past compensation practices and the competitive compensation practices at the other firms included in our comparator group, as well as Lazard s financial results. Given the general economic downturn

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faced by all companies in the financial services industry, including Lazard, and the relative amounts being paid to the other executive officers and managing directors, Mr. Wasserstein requested that he not receive any additional incentive compensation for 2008. Based on its review and considering Mr. Wasserstein s views, the Compensation Committee decided to agree with Mr. Wasserstein s request. Therefore, Mr. Wasserstein s total compensation for 2008 equaled $20.5 million, which comprised his base salary of $1,225,000 paid in 2008 and the $19.3 million pro-rata portion of the Special Retention Award attributable to Mr. Wasserstein s 2008 service, which represents a 50% decrease in his total compensation from 2007. The Compensation Committee believes that the Special Retention Award (which, by its terms, generally will vest on December 31, 2012), together with Mr. Wasserstein s other equity interests in Lazard, will keep him focused on Lazard s long-term performance.

The following table shows the base salary and incentive compensation awarded to Mr. Wasserstein for his performance in 2008 (including the pro-rata portion of the five year Special Retention Award granted on January 29, 2008, which is not scheduled to vest until December 31, 2012) in the manner it was considered by the Compensation Committee. This presentation differs from that contained in the Summary Compensation Table by adding a new column under Incentive Compensation to include the pro-rata portion of the Special Retention Award that is attributable to 2008 service, and by reflecting that Mr. Wasserstein was not awarded an annual RSU grant, annual cash bonus or deferred cash award on February 10, 2009, when our other named executive officers received their awards. In addition, the Change in Pension Value column and the All Other Compensation column are omitted, as they were not material elements of Mr. Wasserstein s compensation.

			Incentive Compensation				
	Year	Salary	Annual Cash Bonus	Deferred Cash Award	Annual Restricted Stock Unit Awards	Pro-Rata Portion of Special Retention Award	Total Compensation
Bruce Wasserstein	2008	$ 1,225,000	$ 0	$ 0	$ 0	$ 19,256,400	$ 20,481,400

Other Named Executive Officers. Annual incentive compensation for each of our other named executive officers was established based on the recommendation of Mr. Wasserstein and approval by the Compensation Committee. The retention agreements with Messrs. Castellano, Golub and Ward generally provide that each is entitled to an annual bonus to be determined under the applicable annual bonus plan of the Company on the same basis as annual bonuses are determined for other executive officers of Lazard and paid in the same ratio of cash to equity awards as is applicable to other executives. Mr. Wasserstein reviewed with the Compensation Committee the performance of each of the named executive officers individually and their overall contribution to the Company in 2008, which was not based on any numerical targets.

In determining annual incentive compensation for Mr. Golub, as vice chairman of Lazard and chairman of the financial advisory group, Mr. Stern, as chief operating officer of Lazard, and Mr. Ward, as president of Lazard and chairman of the asset management group, Mr. Wasserstein considered the role that each individual plays in the Lazard organization, maintaining a balance between their leadership and administrative responsibilities within the firm, while continuing to cultivate important client relationships. In addition to the administrative role that each plays as an officer of Lazard, each of these executives also plays a significant role in the revenue generation side of our business. The client relationships cultivated by each of these executives lead to specific engagements that have contributed to the Company s overall revenues in 2008. In making a recommendation on incentive compensation for each of Messrs. Golub, Stern, and Ward, Mr. Wasserstein reviewed total revenue generated from each of their particular client relationships, each executive s positioning on an internal pay equity scale vis-à-vis other managing directors within Lazard, and the competitive compensation practices at the other firms included in our comparator group. The tracking of revenue back to particular client relationships was an important factor considered in differentiating incentive compensation among Lazard s managing director group. Another factor that Mr. Wasserstein considered was the difficulty and expense of replacing each of these executives should they decide to leave. Based on Mr. Wasserstein s recommendation, the Compensation Committee approved the following incentive compensation for each of

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Messrs. Golub, Stern, and Ward for their performance in 2008: Mr. Golub received a cash bonus of $487,885, a deferred cash award of $4.56 million and an RSU award valued at $2.64 million; Mr. Stern received a deferred cash award of $1.175 million and an RSU award valued at $825,000; and Mr. Ward received a deferred cash award of $1.575 million and an RSU award valued at $1,162,885. The RSUs awarded to Messrs. Golub, Stern, and Ward constituted approximately 30% of their total compensation for 2008 (salary, cash bonus (solely in the case of Mr. Golub), deferred cash award and equity award) and the deferred cash awards ranged between 41% and 52% of their total compensation.

In determining incentive compensation for Mr. Castellano, Mr. Wasserstein noted that he provides significant leadership to Lazard in his role as chief financial officer. Mr. Castellano has overall responsibility for corporate finance and accounting at Lazard on a worldwide basis. Mr. Wasserstein noted that Mr. Castellano has been tasked with primary responsibility for establishing Lazard internal financial controls and reporting structure, as well as oversight of the firm s investor relations department. In making a recommendation on incentive compensation for Mr. Castellano, Mr. Wasserstein noted his contribution to the overall strength of the firm and his increasing responsibilities as head of the firm s corporate finance strategy. Based on Mr. Wasserstein s recommendation, the Compensation Committee approved a deferred cash award of $1.005 million for Mr. Castellano and an RSU award valued at $645,000 for his performance in 2008. The RSUs awarded to Mr. Castellano constituted approximately 30% of his total compensation for 2008 (salary, deferred cash award and equity award).

The following table shows the base salary and incentive compensation awarded to Messrs. Castellano, Golub, Stern and Ward for their performance in 2008 (including the deferred cash award) in the manner it was considered by the Compensation Committee. This presentation differs from that contained in the Summary Compensation Table primarily by adding a new column under Incentive Compensation to include the deferred cash award, and by including the full grant date value of the RSUs awarded on February 10, 2009, which relate to 2008 performance but are not reflected in the Summary Compensation Table because they were granted after the end of our 2008 fiscal year. In addition, the Change in Pension Value column and the All Other Compensation column are omitted as they were not material elements of the named executive officers compensation.

			Incentive Compensation			
	Year	Salary	Annual Cash Bonus	Deferred Cash Award	Restricted Stock Unit Awards	Total Compensation
Michael J. Castellano	2008	$ 500,000	$ 0	$ 1,005,000	$ 645,000	$ 2,150,000
Steven J. Golub	2008	$ 1,112,115	$ 487,885	$ 4,560,000	$ 2,640,000	$ 8,800,000
Alexander F. Stern	2008	$ 750,000	$ 0	$ 1,175,000	$ 825,000	$ 2,750,000
Charles G. Ward, III	2008	$ 1,112,115	$ 0	$ 1,575,000	$ 1,162,885	$ 3,850,000

Pursuant to the applicable disclosure rules, the value of the RSUs reported in the Summary Compensation Table for each of our named executive officers, including Mr. Wasserstein, is based on the dollar amount of compensation expense that is recognized in our consolidated financial statements for fiscal year 2008 based on FAS No. 123R. Consequently, the Summary Compensation Table does not reflect the amortization relating to the RSU awards that were granted in February, 2009, but, in the case of Mr. Wasserstein, it does reflect a portion of the Special Retention Award.

Sapphire Industrials. In October 2007, Lazard Funding Limited LLC (Lazard Funding), a wholly-owned subsidiary of Lazard Group, formed a special purpose acquisition company, Sapphire Industrials Corp. (Sapphire), for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more operating businesses. Mr. Ward is a member of Sapphire s board of directors. In connection with the formation of Sapphire, Lazard Funding and each member of Sapphire s board of directors (including Mr. Ward) purchased an aggregate of 23,000,000 founder units (with

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such number of units giving effect to the split of the units that occurred on January 17, 2008) for an aggregate purchase price of $143,750. Mr. Ward purchased 306,667 founder units for a purchase price of $1,916.67. Each founder unit consists of one share of Sapphire common stock and one warrant to purchase one share of Sapphire common stock. On January 24, 2008, Sapphire completed an initial public offering, raising $800 million through the sale of 80 million units at an offering price of $10.00 per unit. In March 2008, Sapphire redeemed approximately 13% of these founder units at the original purchase price, on a pro-rata basis. Lazard Funding and the Sapphire board members continue to hold Sapphire units.

Perquisites. In 2008, the Company provided a limited number of perquisites, with each of our named executive officers receiving less than $11,200 in perquisite compensation. Each of our managing directors, including each named executive officer, is responsible for paying the full premiums for any health insurance provided through the firm and do not receive any matching contributions from the Company on their personal contributions to Lazard s 401(k) plan. Our managing directors, including the named executive officers, are the beneficiaries of a Company provided life insurance and excess liability insurance policy. Mr. Wasserstein reimburses the Company for personal use of a car and driver provided by Lazard based on an allocation formula that is more than the incremental cost of such use to the Company. Lazard also holds a fractional interest in a private aircraft. From time to time Mr. Wasserstein uses this aircraft for personal reasons and reimburses the Company at the incremental cost of such use. Each of our managing directors, including the named executive officers, are entitled to have their year-end personal tax returns prepared by our tax department. Messrs. Castellano, Golub and Stern have availed themselves of this benefit, while Mr. Wasserstein and Mr. Ward have chosen to use and pay for their own tax advisors. This perquisite has been an historical practice of the firm, and is provided due to the complexity involved in preparing such tax returns as the Company continues to be viewed as a partnership for U.S. tax purposes.

Post-Employment Benefits. Each of Mr. Golub and Mr. Stern has an accrued benefit under the Lazard Frères & Co. LLC Employees Pension Plan, a qualified defined-benefit pension plan, and Mr. Stern has accrued additional benefits under a related supplemental defined-benefit pension plan. In each case, these benefits accrued prior to the applicable officer s becoming a managing director of Lazard. The annual benefit under such plans, payable as a single life annuity commencing at age 65, would be $4,332 for Mr. Golub and $12,421 for Mr. Stern. Under the terms of the supplemental defined-benefit pension plan, the benefits are only payable in a single lump sum payment. Benefit accruals under both of these plans were frozen for all participants effective January 31, 2005, and our named executive officers will not accrue any additional benefits. Messrs. Wasserstein, Castellano and Ward do not participate in these plans. For the value of the benefits accrued by Messrs. Golub and Stern under these plans as of December 31, 2008, see Pension Benefits .

The retention or employment agreement with each of our named executive officers, other than Mr. Stern, provides for certain severance benefits in the event of a termination of employment prior to March 31, 2011 (or December 31, 2012, in the case of Mr. Wasserstein) by us other than for cause or, except in the case of Mr. Wasserstein, by the executive officer for good reason (we refer to these as qualifying terminations). We provide for such severance payments on the condition that the departed executive not compete with us, solicit our clients and employees, or take other actions that harm our business for specified periods. Except in the case of Mr. Wasserstein, the level of the severance benefits depends on whether the qualifying termination occurs prior to or following a change in control of Lazard Ltd, with qualifying terminations following a change in control triggering an enhanced benefit. In addition, the retention or employment agreement with each of our named executive officers, other than Mr. Stern, provides that in the event that the executive officer s receipt of any payment made by us under the agreement or otherwise is subject to the excise tax imposed under Section 4999 of the Code, an additional payment will be made to restore the executive to the after-tax position that he would have been in if the excise tax had not been imposed. The events giving rise to a severance payment as well as the amount of the payments under the retention agreements were negotiated terms and based on common industry practice for agreements of this kind at the time they were negotiated. See Retention Agreements with Named Executive Officers Payments and Benefits Upon Certain Terminations of Service and also see Potential Payments Upon Termination or Change in Control for an estimate of potential payouts under each scenario.

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In general, non-vested RSUs and deferred cash awards are forfeited by our named executive officers upon termination of employment, except in limited cases such as death, disability or a termination by the Company other than for cause , except that Messrs. Golub and Castellano are permitted to retire at anytime on or after March 31, 2011 and retain their RSUs and deferred cash awards, subject to certain limitations. In the event of a change of control of Lazard Ltd, any unvested RSUs and deferred cash awards will automatically vest, without regard to whether the executive officer is terminated. In this way, our named executive officers can realize value from these awards in the same way as shareholders in connection with the change of control transaction, and thus encourage our named executive officers to consider and support transactions that might benefit shareholders.

Tax Considerations

Lazard made certain changes to the terms of its outstanding RSUs during 2008 in order to address rules on partnership taxation under Section 707(c) of the Code. Pursuant to the previous terms of the RSUs, in the event that a holder s employment was terminated due to disability or by the Company other than for cause or solely in the case of Messrs. Golub and Castellano, in the event of retirement on or after March 31, 2011, the holder s RSUs would remain outstanding and be settled on the original vesting date, subject to the holder s compliance with a non-compete, non-solicit and other restrictive covenants. As a result of the partnership tax rules, any individual who is a member of Lazard Group LLC, including each of our named executive officers, may be subject to immediate taxation on his or her outstanding RSUs upon termination, even though the shares of our common stock would not be delivered until a later date. In order to facilitate the payment of taxes, we determined that it would be appropriate to allow holders to sell 50% of the shares of our common stock underlying the RSUs immediately upon termination. The remaining 50% will become payable on the original vesting date, provided that the executive complies with the restrictive covenants limiting the executive s ability to compete with Lazard or to solicit our clients and employees.

Conclusion

Our compensation program is designed to permit the Company to provide our executive officers, managing directors and other senior professionals with total compensation that is linked to our performance and reinforces the alignment of employee and shareholder interests. At the same time it is intended to provide us with sufficient flexibility to assure that such compensation is appropriate to attract and retain these employees who are vital to the continued success of Lazard and to drive outstanding individual and institutional performance. We believe the program met these objectives in 2008.

COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

Compensation Committee

Steven J. Heyer (Chair), Sylvia Jay and Michael J. Turner

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COMPENSATION OF EXECUTIVE OFFICERS

The following table contains information with respect to the chief executive officer, chief financial officer, and the three other most highly compensated executive officers of Lazard Ltd, collectively referred to as the named executive officers .

Summary Compensation Table

Name and Principal Position	Year	Salary	Bonus (a)	Restricted Stock Unit Awards (b)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (c)	All Other Compensation (d)	Total
Bruce Wasserstein	2008	$ 1,225,000		$ 36,013,207		$ 1,650	$ 37,239,857
Chairman and Chief	2007	$ 4,800,000		$ 7,059,774		$ 1,618	$ 11,861,392
Executive Officer	2006	$ 4,800,000		$ 2,238,222		$ 1,745	$ 7,039,967
Michael J. Castellano	2008	$ 500,000		$ 451,427		$ 11,184(e)	$ 962,611
Chief Financial Officer	2007	$ 500,000	$ 1,600,000	$ 181,278		$ 10,698(e)	$ 2,291,976
	2006	$ 500,000	$ 1,550,000	$ 60,434		$ 11,703(e)	$ 2,122,137
Steven J. Golub	2008	$ 1,112,115	$ 487,885	$ 5,932,641	$ 6,383	$ 10,049(e)	$ 7,549,073
Vice Chairman Lazard Ltd,	2007	$ 1,500,000	$ 4,500,000	$ 2,893,509	$ 0	$ 9,563(e)	$ 8,903,072
Chairman of Financial	2006	$ 1,500,000	$ 4,900,000	$ 984,819	$ 1,968	$ 11,134(e)	$ 7,397,921
Advisory Group							
Alexander F. Stern	2008	$ 750,000		$ 1,156,459	$ 9,699	$ 10,049(e)	$ 1,926,207
Chief Operating Officer							
Charles G. Ward, III (f)	2008	$ 1,112,115		$ 1,620,001		$ 1,650	$ 2,733,766
President Lazard Ltd, and	2007	$ 1,500,000	$ 1,300,000	$ 378,934		$ 1,618	$ 3,180,552
Chairman of the Asset	2006	$ 1,500,000(g)	$ 1,500,000(g)	$ 111,907		$ 1,745	$ 3,113,652
Management Group							

(a) Each of our named executive officers, other than Mr. Wasserstein, received a deferred cash award on February 10, 2009, which related to 2008 performance. Pursuant to SEC rules for compensation disclosure in proxy statements, the value of a deferred cash award (or a portion thereof) will be reflected in the Bonus column of Summary Compensation Table in the year in which such deferred cash award or such portion thereof, as applicable, vests. The deferred cash awards granted to Messrs. Castellano, Golub, Stern and Ward are scheduled to vest in three equal installments on November 30, 2010, February 28, 2012 and February 28, 2013. For information on the value of the deferred cash awards granted in February of 2009, see Compensation Discussion and Analysis Compensation For Each of Our Named Executive Officers in 2008.

(b) As required under SEC rules for compensation disclosure in proxy statements, the value of the RSUs reported in the Summary Compensation Table is based on the dollar amount that is recognized as an expense in our financial statements for each fiscal year shown above under FAS No. 123R. In general, under FAS No. 123R, an equity award is expensed over the vesting or service period of the award. Therefore the value of the RSUs reported for each of our named executive officers in the fiscal years shown above reflects the aggregate amortization expense of all unvested RSUs as of the end of that fiscal year (which for 2008, includes the amortization expense for RSUs awarded for performance in 2005, 2006 and 2007 (but not for the RSUs granted for 2008 performance), and in the case of Mr. Wasserstein, the amortization expense related to the Special Retention Award). See Note 16 of Notes to the Consolidated Financial Statements contained in Lazard s 2008 Annual Report on Form 10-K for a discussion of the assumptions used in the valuation of the RSUs. For information on the grant date fair value of RSU awards made to each of our

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named executive officers, other than Mr. Wasserstein, during fiscal year 2009 that relate to 2008 performance, see Compensation Discussion and Analysis Compensation For Each of Our Named Executive Officers in 2008.

(c) Represents the aggregate change in actuarial present value of the listed officer s accumulated benefit under the Lazard Frères & Co. LLC Employees Pension Plan, and in the case of Mr. Stern, a related supplemental defined-benefit pension plan.

(d) Each of our named executive officers is the beneficiary of a Company provided life insurance and excess liability insurance policy.

We make available to Mr. Wasserstein a car and driver, as well as a private aircraft in which Lazard holds a fractional interest. Mr. Wasserstein reimburses the firm for personal use of the car and the services of the driver based on an allocation formula that is more than the incremental cost of such use to the Company. Mr. Wasserstein reimburses the firm for personal use of the private aircraft at the incremental cost of such use to the Company.

(e) Perquisite compensation for Messrs. Castellano, Golub and Stern includes the incremental cost to the Company of providing U.S. tax advice and preparation of year-end personal tax returns.

(f) In connection with the formation of Sapphire in October 2007, Lazard Funding and each member of Sapphire s board of directors (including Mr. Ward) purchased an aggregate of 23,000,000 founder units (with such number of units giving effect to the split of the units that occurred on January 17, 2008) for an aggregate purchase price of $143,750. Mr. Ward, as a member of the Sapphire board purchased 306,667 founder units for a purchase price of $1,916.67. Approximately 13% of these founder units were redeemed by Sapphire at the original purchase price, on a pro-rata basis. Each founders unit consists of one share of Sapphire common stock and one warrant to purchase one share of Sapphire common stock.

(g) In fiscal year 2006, LFCM Holdings reimbursed an aggregate of $500,000 of Mr. Ward s salary and bonus for services that Mr. Ward rendered to LFCM Holdings as its chairman. Mr. Ward resigned as the chairman of LFCM Holdings on November 8, 2006.

Grants of Plan Based Awards

The following table provides information about RSUs granted to each of the named executive officers during fiscal year 2008. The grant on January 29, 2008 to Mr. Wasserstein was the Special Retention Award described above under Compensation Discussion and Analysis Compensation For Each of Our Named Executive Officers in 2008. Each of the January 30, 2008 grants was part of our annual incentive compensation awards paid to each of our named executive officers, which relate to 2007 performance. For information on the grant date fair value of RSU awards made to each of our named executive officers, other than Mr. Wasserstein, during fiscal year 2009, which relate to 2008 performance, see Compensation Discussion and Analysis Compensation For Each of Our Named Executive Officers in 2008.

Named Executive Officer	Grant Date	Number of Restricted Stock Units	Grant Date Fair Value of Restricted Stock Units
Bruce Wasserstein	January 29, 2008	2,700,000*	$ 96,282,000
	January 30, 2008	957,419	$ 36,200,000
Michael J. Castellano	January 30, 2008	23,803	$ 900,000
Steven J. Golub	January 30, 2008	264,480	$ 10,000,000
Alexander F. Stern	January 30, 2008	58,186	$ 2,200,013
Charles G. Ward, III	January 30, 2008	111,082	$ 4,200,000

* Special Retention Award granted in connection with a new five-year employment agreement.

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The RSUs included in the table above were granted under our 2005 Equity Incentive Plan and represent a contingent right to receive an equivalent number of shares of Class A common stock. The RSUs shown in the table were valued as of the grant date by multiplying the number of RSUs awarded to each named executive officer by the closing price-per-share of the Class A common stock on the NYSE on that date. The closing price on January 29, 2008 was $35.66 per share and on January 30, 2008 was $37.81 per share. In connection with the execution of a new five-year employment agreement, the Compensation Committee granted Mr. Wasserstein a Special Retention Award of 2,700,000 RSUs on January 29, 2008. This award will vest on December 31, 2012 and was intended to constitute a significant part of Mr. Wasserstein s compensation for each of the years in the five-year period ending December 31, 2012. The RSUs granted on January 30, 2008 to each of our named executive officers, including Mr. Wasserstein, relate to 2007 performance and will vest March 31, 2011. Each of our named executive officers signed an RSU agreement in connection with their award. In general, these agreements provide that non-vested RSUs are forfeited on termination of employment, except in limited cases such as death, disability or a termination by the Company other than for cause . In the event of a Change in Control (as defined in the 2005 Equity Incentive Plan), any unvested but outstanding RSUs automatically will vest. All RSUs receive dividend equivalents at the same rate that dividends are paid on shares of Class A common stock. These dividends are credited in the form of additional RSUs with the same restrictions as the underlying RSUs to which they relate. In addition, the RSU agreements contain standard covenants, including among others, noncompetition and nonsolicitation of our clients and employees.

Bonus Plan

To align employee and shareholder interests, our Board of Directors adopted the 2008 Incentive Compensation Plan in February 2008, and our shareholders approved the 2008 Incentive Compensation Plan in May 2008. The 2008 Incentive Compensation Plan provides for the grant of both cash and equity incentive awards. The Compensation Committee has full and direct responsibility and authority for determining our chief executive officer s compensation under the 2008 Incentive Compensation Plan. The Compensation Committee reviews and approves the recommendations of our chief executive officer with regard to the compensation of our other officers under the 2008 Incentive Compensation Plan. Subject to overall compensation limits as determined from time to time and, with respect to plan participants, the terms of the 2008 Incentive Compensation Plan, our chief executive officer has responsibility for determining the compensation of all employees except as provided above.

For purposes of 2008 bonuses, our named executive officers were designated as participants in the 2008 Incentive Compensation Plan during the first 90 days of 2008. In order for our named executive officers to receive 2008 bonuses pursuant to the 2008 Incentive Compensation Plan, our total annual operating revenue for 2008 was required to exceed our total annual operating expenses for the year. This goal was achieved for fiscal year 2008 and therefore, a bonus pool was established in accordance with the compensation limits set forth in the 2008 Incentive Compensation Plan. The bonus pool was determined in a manner consistent with our practice prior to adopting the 2008 Incentive Compensation Plan. The actual size of the bonus pool for each fiscal year is determined at the end of the fiscal year, taking into account our results of operations, total shareholder return and/or other measures of our financial performance or of the financial performance of one or more of our subsidiaries or divisions. A target maximum ratio of aggregate compensation and benefits expense for the year (including annual incentive payments under the plan) to annual revenue or income (or to similar measures of corporate profitability) may also be taken into account, and for 2008, we applied a target ratio of compensation and benefits expense to operating revenue of 57.5% originally adopted at the time of our equity public offering in 2005 (which ratio is subject to change in the future, including to adapt to changes in the economic environment or a change that may be necessitated by lower operating revenues or to fund a major expansion). The bonus pool is allocated among the participants in the plan with respect to each fiscal year. This allocation may be made at any time prior to payment of bonuses for such year, and may take into account any factors deemed appropriate, including, without limitation, assessments of individual, subsidiary or division performance and input of management.

Amounts payable with respect to bonuses are satisfied in cash, deferred cash awards and through equity awards granted under the 2008 Incentive Compensation Plan or under our 2005 Equity Incentive Plan.

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Retention Agreements with Named Executive Officers

Each of the named executive officers has entered into a retention or employment agreement with Lazard. Generally, the provision of services under the retention agreements is terminable by either party upon three months notice, and the agreements also contain the following terms and conditions:

Compensation and Employee Benefits. On January 29, 2008, Mr. Wasserstein executed a new five-year employment agreement with the Company and was granted a Special Retention Award of 2,700,000 RSUs under our 2005 Equity Incentive Plan. The Special Retention Award generally will vest entirely on December 31, 2012 at the end of the five-year period. The Special Retention Award will be forfeited, however, if Mr. Wasserstein s employment is terminated on or prior to December 31, 2012 (unless terminated as a result of death or disability or as a result of a termination by us without cause). The Special Retention Award also will vest upon certain changes in control of Lazard Ltd. The Special Retention Award is intended to constitute a significant part of Mr. Wasserstein s compensation for each of the years in the five-year period ending December 31, 2012. Except as discussed above and as detailed in the agreement, Mr. Wasserstein must remain at Lazard through the end of the five-year period to receive the Special Retention Award. In addition, the agreement with Mr. Wasserstein provides that his base salary will be $900,000 per annum and that any additional compensation or bonuses to Mr. Wasserstein during the five-year period will be at the discretion of the Compensation Committee and the Board of Directors.

On October 4, 2004, Mr. Stern entered into a retention agreement with Lazard, and on May 7, 2008, Messrs. Castellano, Golub and Ward entered into amended retention agreements with Lazard. These retention agreements provide for a minimum annual base salary of no less than $500,000 for Mr. Castellano, $900,000 for Mr. Golub, $900,000 for Mr. Ward, and $750,000 for Mr. Stern. The term of the agreements for Messrs. Castellano, Golub and Ward continue until March 31, 2011, unless earlier terminated in accordance with their terms. In addition, each of Messrs. Castellano, Golub and Ward is entitled to an annual bonus to be determined under the applicable annual bonus plan of Lazard on the same basis as annual bonuses are determined for other executive officers of Lazard and paid in the same ratio of cash to equity awards as is applicable to other executives, provided that he is employed by Lazard at the end of the applicable fiscal year.

In addition, Mr. Wasserstein s agreement provides that until December 31, 2012, he will participate in the employee benefit plans and programs generally applicable to our most senior executives on terms no less favorable than those provided to such senior executives, except that his participation in equity-related, bonus, incentive, profit sharing and deferred compensation plans will require the consent of our Board of Directors or its Compensation Committee. Mr. Wasserstein s agreement also provides that he will be entitled to perquisites and fringe benefits no less favorable than those provided to him by Lazard Group immediately prior to January 29, 2008, to the extent not inconsistent with our policies as in effect from time to time, which perquisites and fringe benefits are similar to those customarily provided to chief executive officers. The retention agreements with each of Messrs. Castellano, Golub, Ward, and Stern provide that they will be entitled to participate in employee retirement and welfare benefit plans and programs of the type made available to our most senior executives.

Payments and Benefits Upon Certain Terminations of Service. Each retention agreement with our named executive officers, other than Mr. Stern, provides for certain severance benefits in the event of a termination prior to March 31, 2011 (or December 31, 2012, in the case of Mr. Wasserstein), by us other than for cause or, except in the case of Mr. Wasserstein, by the named executive officer for good reason (which we refer to below as a qualifying termination). Except with respect to Mr. Wasserstein, the level of the severance benefits depends on whether the applicable termination occurs prior to or following a change in control of Lazard Ltd.

In the event of a qualifying termination of Mr. Wasserstein s employment or, prior to a change in control, the employment of any of Messrs. Castellano, Golub, or Ward, the executive generally would be entitled to receive in a lump sum (1) any unpaid base salary accrued through the date of termination, (2) any earned but unpaid bonuses for years completed prior to the date of termination, (3) a prorated bonus for the year of termination (other than Mr. Wasserstein) and (4) a severance payment (other than Mr. Wasserstein) in the following amounts: two times the sum of such executive officers base salary and average annual bonus for the

two fiscal years prior to the date of such executive officer s termination. Upon such a qualifying termination, the named executive officer and his eligible dependents would generally continue to be eligible to participate in our medical and dental benefit plans, on the same basis as in effect immediately prior to the executive s date of termination (which currently requires the named executive officer to pay the full cost of the premiums), for the following periods: for Mr. Wasserstein, for the remainder of his life; and for Messrs. Castellano, Golub and Ward for two years following such termination. The period of such medical and dental benefits continuation would generally be credited towards the named executive officer s credited age and service for purpose of our retiree medical program.

In the event of a qualifying termination of any of Messrs. Castellano, Golub or Ward on or following a change in control, such executive officer would receive the severance payments and benefits described in the preceding paragraph, except that the severance payments would be in the following amounts: three times the sum of such executive officer s base salary and average annual bonus for the two fiscal years prior to the date of such executive officer s termination. In addition, each of the named executive officers, other than Mr. Stern, and his eligible dependents would be eligible for continued participation in our medical and dental benefit plans and receive age and service credit, as described above, except that the applicable period for each of Messrs. Castellano, Golub and Ward would be 36 months following the date of termination of service.

The retention agreement with Mr. Wasserstein provides that in the event his service is terminated due to his disability, he would continue to be eligible for the medical and dental benefits described above.

The retention agreement with each of Messrs. Golub and Castellano provides that if the executive officer voluntarily retires after March 31, 2011, the RSUs and deferred cash awards that he currently holds, as well as any RSUs and deferred cash awards that he is granted in later years as part of ordinary annual incentive compensation will continue to vest on the original vesting dates, subject only to compliance with the applicable restrictive covenants through the applicable vesting date (without regard to the earlier expiration of the stated duration of any such restricted covenant), and will not be forfeited upon the termination of his employment. In order to address certain rules on partnership taxation which could result in taxation of Messrs. Golub and Castellano on their RSUs and deferred cash awards immediately following March 31, 2011, on that date, Messrs. Golub and Castellano will receive 50% of the shares of Class A common stock subject to their then outstanding RSUs and will be paid 50% of the unpaid cash subject to their then outstanding deferred cash awards. All remaining shares and cash will continue to be subject to the applicable restrictive covenants and will not be paid to the applicable executive until the relevant vesting dates. For a brief description of these partnership taxation rules and their impact on outstanding RSUs and deferred cash awards held by members of Lazard Group LLC, including Messrs. Golub and Castellano, see Compensation Discussion and Analysis Tax Consequences.

Change in Control Excise Tax Gross-up. Each retention agreement with our named executive officers, other than Mr. Stern, provides that in the event that the executive officer s receipt of any payment made by us under the retention agreement or otherwise is subject to the excise tax imposed under Section 4999 of the Code, an additional payment will be made to restore the executive to the after-tax position that he would have been in if the excise tax had not been imposed.

Noncompetition and Nonsolicitation of Clients. While providing services to us and during the three-month period following termination of the named executive officer s services to us (one-month period in the event of such a termination by us without cause), the named executive officer may not:

perform services in a line of business that is similar to any line of business in which the named executive officer provided services to us in a capacity that is similar to the capacity in which the named executive officer acted for us while providing services to us (competing services) for any business enterprise that engages in any activity, or owns a significant interest in any entity that engages in any activity, that competes with any activity in which we are engaged up to and including the date of termination of employment (a competitive enterprise),

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acquire an ownership or voting interest of 5% or more in any competitive enterprise, or

solicit any of our clients on behalf of a competitive enterprise in connection with the performance of services that would be competing services or otherwise interfere with or disrupt any client s relationship with us.

Nonsolicitation of Employees. While providing services to us and during the six-month period following termination of the named executive officer s services, the named executive officer may not, directly or indirectly, in any manner, solicit or hire any of our employees at the associate level or above to apply for, or accept employment with, any competitive enterprise or otherwise interfere with any such employee s relationship with us.

Transfer of Client Relationships, Nondisparagement and Notice Period Restrictions. The named executive officer is required, upon termination of his services to us and during the 90-day period following termination, to take all actions and do all things reasonably requested by us to maintain for us the business, goodwill and business relationships with our clients with which he worked, provided that such actions and things do not materially interfere with other employment or professional activities of the named executive officer. In addition, while providing services to us and thereafter, the named executive officer generally may not disparage us, and before and during the three-month notice period prior to termination, the named executive officer is prohibited from entering into a written agreement to perform services for a competitive enterprise.

Provisions Relating to the Reorganization and Restrictive Covenants. Generally, the retention agreements with the named executive officers contain restrictive covenants and provisions that are substantially similar. However, the scope of the covenants applicable to Mr. Wasserstein limiting his ability to compete with us and to solicit our clients are generally more restrictive than those applicable to our other named executive officers, although Mr. Wasserstein may continue his relationship with and ownership interest in Wasserstein & Co., LP on terms consistent with past practice without violating these covenants, so long as such activities do not significantly interfere with his performance of his duties as our chairman and chief executive officer. In addition, the nondisparagement provision between Mr. Wasserstein and us generally prohibits us from disparaging Mr. Wasserstein.

In addition, a termination by any of Messrs. Castellano, Golub or Ward for good reason would be treated as a termination by us without cause for purposes of the duration of the restrictive covenants and the provisions governing the timing of exchangeability of LAZ-MD Holdings LLC exchangeable interests into shares of our Class A common stock.

Outstanding Equity Awards at 2008 Fiscal Year-End

The following table provides information about the number and value of RSUs held by the named executive officers as of December 31, 2008. The market value of the RSUs was calculated based on the closing price of the Lazard Class A common stock on the NYSE on December 31, 2008 ($29.74). The table does not include RSU awards that relate to 2008 performance, which were generally granted in February 2009, except for the Special Retention Award granted to Mr. Wasserstein, which was granted in January 2008, and intended to constitute a significant part of Mr. Wasserstein s compensation for each of the years in the five-year period ending December 31, 2012.

Named Executive Officer	Number of Restricted Stock Units That Have Not Vested (1)	Market Value of Restricted Stock Units That Have Not Vested	
Bruce Wasserstein	4,358,878	$	129,633,032
Michael J. Castellano	41,202	$	1,225,348
Steven J. Golub	541,862	$	16,114,976
Alexander F. Stern	104,490	$	3,107,533
Charles G. Ward, III	147,410	$	4,383,974

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(1) RSU awards are typically granted to our named executive officers in January of each year under Lazard s 2005 Equity Incentive Plan or the 2008 Incentive Compensation Plan and relate to the prior year s performance. The scheduled vesting dates for RSU awards granted to each of the named executive officers are as follows: (i) the Special Retention Award of 2,700,000 RSUs granted to Mr. Wasserstein on January 29, 2008 will vest on December 31, 2012, (ii) RSUs granted on January 30, 2008 will vest on March 31, 2011; (iii) RSUs granted on January 23, 2007 will vest 50% on March 31, 2010 and 50% on March 31, 2011; and (iv) RSUs granted on January 24, 2006 will vest on March 31, 2010.

Pension Benefits

The following table provides information with respect to Lazard Frères & Co. LLC Employees Pension Plan, a qualified defined-benefit pension plan, and a related supplemental defined-benefit pension plan. Each of Mr. Golub and Mr. Stern has an accrued benefit under the Lazard Frères & Co. LLC Employees Pension Plan, and Mr. Stern has accrued additional benefits under the related supplemental defined-benefit pension plan. The annual benefit under such plans, payable as a single life annuity commencing at age 65, would be $4,332 for Mr. Golub and $12,421 for Mr. Stern. Under the terms of the supplemental defined-benefit pension plan, the benefits are only payable in a single lump sum payment. These benefits accrued in each case prior to the applicable officer s becoming a managing director of Lazard. Benefit accruals under both of these plans were frozen for all participants effective January 31, 2005. For a discussion of the valuation method and all material assumptions applied in quantifying the present value of the current accrued benefit see Note 17 of Notes to Lazard s Consolidated Financial Statements contained in its 2008 Annual Report on Form 10-K. Messrs. Wasserstein, Castellano and Ward do not participate in any of these plans.

Named Executive Officer	Plan Name	Number of Years Credited Service (1)	Present Value of Accumulated Benefit ($) (2)	Payments During Last Fiscal Year ($)
Steven J. Golub	Lazard Frères & Co. LLC Employees Pension Plan	2	$ 42,182	$ 0
Alexander F. Stern	Lazard Frères & Co. LLC Employees Pension Plan	6	$ 35,778	$ 0
	Supplemental Defined-Benefit Pension Plan	6	$ 1,929	$ 0

(1) Messrs. Golub and Stern have been employed by Lazard for 24 and 13 years, respectively, and became managing directors in 1986 and 2002, respectively, at which point they ceased accruing benefits under these plans.

(2) In calculating the present value of accumulated benefits outlined above, Mr. Golub and Mr. Stern are assumed to live to age 65 and subsequently retire. They are also assumed to choose the single life annuity form of benefit under the Lazard Frères & Co. LLC Employees Pension Plan and the lump sum form of benefit under the Supplemental Defined-Benefit Pension Plan (for Mr. Stern only). The interest and mortality used to determine the Employees Pension Plan present value is 5.8% for all years and the RP-2000 Mortality Table (with 9 years improvement and adjusted for white collar workers) after retirement only. The Supplemental Defined-Benefit Pension Plan assumes that the annuity benefit will be converted to a lump sum at age 65 using a 5.55% interest rate and the mortality outlined in IRS Notice 2008-85 applicable for lump sum payments (projected to the year participant attains age 65 using Scale AA). A 5.80% discount rate is used to determine the present value of this single payment at age 65 at December 31, 2008.

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Potential Payments Upon Termination or Change-in-Control

As described above, each of our named executive officers has entered into a retention or employment agreement with Lazard. However, the retention agreement with Mr. Stern does not provide for any payments or benefits in connection with the termination of his employment. The retention agreements with Messrs. Wasserstein, Castellano, Golub and Ward provide for certain severance benefits in the event of a termination prior to March 31, 2011 (or prior to December 31, 2012, in the case of Mr. Wasserstein) by us other than for cause or, except in the case of Mr. Wasserstein, by such named executive officer for good reason. Except with respect to Mr. Wasserstein, the level of the severance benefits depends on whether the applicable termination occurs prior to or following a change in control of Lazard Ltd. For a discussion of the severance benefits provided pursuant to the retention agreements, see Retention Agreements with Named Executive Officers.

Each of our named executive officers has received RSUs pursuant to Lazard s 2005 Equity Incentive Plan or the 2008 Incentive Compensation Plan, and each of our named executive officers, other than Mr. Wasserstein, has received a deferred cash award. In the event of a change in control of Lazard Ltd all deferred cash awards and all RSUs granted under the 2005 Equity Incentive Plan or the 2008 Incentive Compensation Plan will automatically vest.

The following table shows the potential payments that would be made by Lazard to each of the named executive officers assuming that such officers employment with Lazard terminated, or a change in control occurred, on December 31, 2008 under the circumstances outlined in the table. As a result, the deferred cash awards and RSU awards granted in February 2009 (which relate to 2008 performance) are not reflected in the table. For purposes of this table, the price of Lazard Class A common stock is assumed to be $29.74, which was the closing price on December 31, 2008.

	Prior to a Change in Control			On or After a Change in Control		
Named Executive Officer	**Death or Disability**	**Involuntary Termination without Cause**	**Resignation for Good Reason (1)**	**No Termination of Employment**	**Death or Disability**	**Involuntary Termination without Cause or Resignation for Good Reason (1)**
Bruce Wasserstein						
Severance Payment						
RSU Vesting (2) (3)	$ 129,633,032	$ 129,633,032		$ 129,633,032	$ 129,633,032	$ 129,633,032
Pro-rata Annual Incentive Payment (4)						
Excise Tax Gross-up Payment (5)				$ 32,838,819	$ 32,838,819	$ 32,838,819
Michael J. Castellano						
Severance Payment		$ 5,500,000	$ 5,500,000			$ 8,250,000
RSU Vesting (2) (3)	$ 1,225,348	$ 1,225,348		$ 1,225,348	$ 1,225,348	$ 1,225,348
Pro-rata Annual Incentive Payment (4)	$ 1,650,000	$ 1,650,000	$ 1,650,000		$ 1,650,000	$ 1,650,000
Excise Tax Gross-up Payment (5)						$ 3,694,380
Steven J. Golub						
Severance Payment		$ 28,300,000	$ 28,300,000			$ 42,450,000
RSU Vesting (2) (3)	$ 16,114,976	$ 16,114,976		$ 16,114,976	$ 16,114,976	$ 16,114,976
Pro-rata Annual Incentive Payment (4)	$ 7,687,885	$ 7,687,885	$ 7,687,885		$ 7,687,885	$ 7,687,885
Excise Tax Gross-up Payment (5)						$ 23,734,468
Alexander F. Stern						
Severance Payment						
RSU Vesting (2) (3)	$ 3,107,533	$ 3,107,533		$ 3,107,533	$ 3,107,533	$ 3,107,533
Pro-rata Annual Incentive Payment (4)	$ 2,000,000	$ 2,000,000			$ 2,000,000	$ 2,000,000
Excise Tax Gross-up Payment (5)						
Charles G. Ward, III						
Severance Payment		$ 9,800,000	$ 9,800,000			$ 14,700,000
RSU Vesting (2) (3)	$ 4,383,974	$ 4,383,974		$ 4,383,974	$ 4,383,974	$ 4,383,974
Pro-rata Annual Incentive Payment (4)	$ 2,737,885	$ 2,737,885	$ 2,737,885		$ 2,737,885	$ 2,737,885
Excise Tax Gross-up Payment (5)						$ 7,138,393

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(1) Messrs. Wasserstein and Stern are not entitled to any payments upon a resignation for Good Reason.

(2) Valuation of all RSU awards is based upon the full value of the underlying Lazard Class A common stock at the close of business on December 31, 2008, without taking into account any discount for the present value of such awards. Upon a Change in Control, all RSU awards immediately vest in full.

(3) Upon death, all RSU awards vest upon the earlier of 30 days or the scheduled vesting date. Upon disability, or a termination without cause, the executive may be immediately taxed on 100% of the shares underlying the RSUs. Accordingly, 50% of the shares underlying the RSUs will be delivered to the executive immediately upon termination to allow payment of taxes, and the remaining 50% will be delivered on the original vesting dates, provided that the executive does not violate his restrictive covenants. The scheduled vesting date for our various RSU awards are as follows: (i) the Special Retention Award of 2,700,000 RSUs granted to Mr. Wasserstein on January 29, 2008 will vest on December 31, 2012; (ii) RSUs granted on January 30, 2008 will vest on March 31, 2011; (iii) RSUs granted on January 23, 2007 will vest 50% on March 31, 2010 and 50% on March 31, 2011; and (iv) RSUs granted on January 24, 2006 will vest on March 31, 2010. See Footnote (1) to the Outstanding Equity Awards at 2008 Fiscal Year-End table.

(4) Under the terms of the 2005 Bonus Plan, upon death or disability, each named executive officer may receive a pro-rated portion of the annual incentive compensation that he would have received in the absence of such termination. Assuming a December 31, 2008 death or disability, all named executive officers were assumed to have received their full incentive compensation award for 2008 (annual cash bonus, deferred cash award, plus value of RSU award).

Pursuant to their retention agreements, Messrs. Castellano, Golub and Ward are entitled to a pro-rata bonus payment in the event of their involuntary termination without Cause or resignation for Good Reason. Under such circumstances we have assumed that each would receive their full incentive compensation award for 2008 (annual cash bonus, deferred cash award, plus value of RSU award).

(5) Amounts represent the amount needed to pay each named executive officer in order to satisfy their excise tax obligations under Section 280G of the Code, which imposes an excise tax on certain payments made in connection with a change in control of the Company, and any additional tax cost related to the gross-up payment, assuming that a change in control of the Company and a qualifying termination of employment occurred on December 31, 2008. Amounts were determined in accordance with Section 280G and the regulations issued thereunder, assuming a regular income tax rate ranging from 43.7% to 44.6% based on each named executive officer s work location and personal residence, each named executive officer s Lazard compensation for the period from 2003-2007 and an interest rate equal to 1.63%.

If a named executive officer had voluntarily resigned or retired from Lazard on December 31, 2008 without good reason or was terminated by Lazard for cause, he would not have been entitled to receive any severance payments from Lazard and any unvested RSUs would have been forfeited.

With respect to a termination for Cause of a named executive officer, other than Mr. Wasserstein, the term Cause shall mean: (A) conviction of, or a guilty plea to, a felony, or of any other crime that legally prohibits the named executive officer from working for Lazard; (B) a breach of a regulatory rule that materially adversely affects the named executive officer s ability to perform his duties for Lazard; (C) willful and deliberate failure on the part of the named executive officer (i) to perform his employment duties in any material respect or (ii) to follow specific reasonable directions received from Lazard; or (D) a breach of the covenants contained in the retention agreements that is (individually or combined with other such breaches) demonstrably and materially injurious to Lazard or any of its affiliates. Notwithstanding the foregoing, with respect to the events described in clauses (B) and (C)(i) of the prior sentence, the named executive officer s acts or failure to act shall not constitute cause to the extent taken (or not taken) based upon the direct instructions of the chief executive officer of Lazard or the Board of Directors of Lazard or a more senior executive officer of Lazard.

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With respect to a termination for Cause under Mr. Wasserstein s retention agreement, the term Cause means: (i) that he is convicted of, or pleads guilty to, a felony or any other crime that legally prohibits him from working for the Company or its affiliates; (ii) that he breaches a regulatory rule that materially adversely affects his ability to perform his duties; (iii) the willful and deliberate failure on his part to (A) perform his employment duties in any material respect or (B) follow specific reasonable directions received from the Board, in each case following written notice to him of such failure and, if such failure is curable, his failing to cure such failure within a reasonable time (but in no event less than 30 days); or (iv) a breach of a covenant that is (individually or combined with other such breaches) demonstrably and materially injurious to the Company or any of its affiliates.

With respect to a termination of any of Messrs. Castellano, Golub or Ward for Good Reason, their retention agreements define Good Reason as: (i) the assignment of the named executive officer to any duties inconsistent in any material respect with his position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as in effect as of May 7, 2008, or any other action by Lazard which results in a material diminution in such position, authority, duties or responsibilities from the level in effect as of May 7, 2008; (ii) a material breach by Lazard of the terms of the retention agreement, or (iii) any requirement that the named executive officer s principal place of employment be relocated to a location that increases the executives commute from his primary residence by more than 30 miles.

The term Change in Control as used in the retention agreements and in the 2005 Equity Incentive Plan and the 2008 Incentive Compensation Plan shall mean any of the following events: (i) an acquisition (other than directly from the Company) by an individual, entity or a group (excluding the Company or an employee benefit plan of the Company or a corporation controlled by the Company s shareholders) of 20% (30% for purposes of the 2008 Incentive Compensation Plan) or more of either (A) the then-outstanding shares of Common Stock (treating, for this purpose, the then-outstanding Class II interests of LAZ-MD Holdings (Class II interests) as shares of Common Stock on an as-if fully exchanged basis in accordance with the Master Separation Agreement) (the Outstanding Company Common Stock), assuming the full exchange of all of the then-outstanding Class II interests for shares of Common Stock in accordance with the Master Separation Agreement or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the Outstanding Company Voting Securities); (ii) a change in a majority of the current Board of Directors (the Incumbent Board) (excluding any persons approved by a vote of at least a majority of the Incumbent Board other than in connection with an actual or threatened proxy contest); (iii) consummation of a merger, consolidation or sale of all or substantially all of the Company s assets (collectively, a Business Combination) other than a Business Combination in which all or substantially all of the individuals and entities who are the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination (assuming in each case the full exchange of the Class II Interests for shares of Company Common Stock in accordance with the Master Separation Agreement) will beneficially own, directly or indirectly, more than 50% of, respectively, the outstanding shares of common stock, and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination, at least a majority of the Board of Directors of the resulting corporation were members of the Incumbent Board, and after which no Person owns 20% (30% for purposes of the 2008 Incentive Compensation Plan) or more of the stock of the resulting corporation, who did not own such stock immediately before the Business Combination or (iv) shareholder approval of a complete liquidation or dissolution of the Company.

Section 16(a) Beneficial Ownership Reporting Compliance

Our directors and executive officers file reports with the SEC indicating the number of shares of any class of our equity securities they owned when they became a director or executive officer and, after that, any changes in their ownership of our equity securities. They must also provide us with copies of these reports. These reports are required by Section 16(a) of the Exchange Act. We have reviewed the copies of the reports that we have received and written representations from the individuals required to file the reports. Based on this review, we believe that during 2008 each of our directors and executive officers has complied with applicable reporting requirements for transactions in our equity securities.

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Policy on Related Party Transactions

Our Board of Directors has adopted a written policy requiring that all Interested Transactions (as defined below) be approved or ratified by either the Nominating & Governance Committee or, under certain circumstances, the Chair of the Nominating & Governance Committee. The Nominating & Governance Committee is required to review the material facts of all Interested Transactions that require the Committee s approval or ratification and either approve or disapprove of the entry into the Interested Transaction. In determining whether to approve or ratify an Interested Transaction, the Nominating & Governance Committee takes into account, among other factors it deems appropriate, whether the Interested Transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the interest of the Related Party (as defined below) in the transaction. In addition, the Board of Directors has delegated to the Chair of the Nominating & Governance Committee the authority to pre-approve or ratify (as applicable) any Interested Transaction with a Related Party in which the aggregate amount involved is expected to be less than $1 million. A report is then made to the Nominating & Governance Committee at its next regularly scheduled meeting of each new Interested Transaction pre-approved by the Chair of the Nominating & Governance Committee. Any director who is a Related Party with respect to an Interested Transaction may not participate in any discussion or approval of such Interested Transaction. An Interested Transaction is one in which (i) we are a participant, (ii) the aggregate amount involved will or may be expected to exceed $120,000, (iii) one of our executive officers, directors, director nominees, 5% shareholders, or their family members (each a Related Party) has a direct or indirect material interest in the transaction and (iv) the transaction is required to be disclosed in our Proxy Statement or Annual Report on Form 10-K pursuant to the rules and regulations promulgated by the SEC.

Related Party Transactions

On May 10, 2005, as part of our initial public offering of Class A common stock, we completed a series of financing transactions the net proceeds of which were primarily used to redeem the outstanding Lazard Group membership interests of Lazard Group s historical partners. In the discussions below, we refer to these financing transactions and the IPO, collectively, as the recapitalization. Concurrently, on May 10, 2005, Lazard Group transferred its capital markets business, which consisted of equity, fixed income and convertibles sales and trading, broking, research and underwriting services, its fund management activities outside of France and specified non-operating assets and liabilities, to LFCM Holdings. In the discussions below, we refer to these businesses, assets and liabilities as the separated businesses and these transfers collectively as the separation.

Relationship with LAZ-MD Holdings and LFCM Holdings

LAZ-MD Holdings is a significant stockholder of Lazard Ltd. As of March 6, 2009, LAZ-MD Holdings owned approximately 37.4% of the voting power of all shares of Lazard Ltd s voting stock through its ownership of the Class B common stock and is thereby able to exercise significant influence in the election of Lazard Ltd s directors. LAZ-MD Holdings voting power in Lazard Ltd is intended to mirror its economic interest in Lazard Group, and its voting power will decrease over time in connection with the exchange of the LAZ-MD Holdings exchangeable interests by the current and former working members of Lazard Group for shares of Lazard Ltd s Class A common stock. The current and former working members of Lazard Group, including our managing directors who held working member interests at the time of the recapitalization, own LAZ-MD Holdings exchangeable interests and, through the LAZ-MD Holdings stockholders agreement, have the right to cause LAZ-MD Holdings to vote its Class B common stock on an as-if-exchanged basis.

In addition, LFCM Holdings, which is the entity that owns and operates the separated businesses, ceased to be a subsidiary of Lazard Group and LAZ-MD Holdings at the time of the separation. It is owned by current and former working members of Lazard Group, including our managing directors and named executive officers, who are members of LAZ-MD Holdings. A managing director of Lazard Frères & Co LLC, a wholly owned

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subsidiary of Lazard Group, is the chairman of LFCM Holdings. LFCM Holdings reimbursed us $1.5 million for a portion of his salary and bonus in 2008 for services that he rendered to LFCM Holdings as its chairman. In addition, the chairman of Lazard Alternative Investments Holdings LLC (LAI), a subsidiary of LFCM Holdings, is our President, Charles G. Ward, III. Mr. Ward does not receive any compensation from LAI for his services as chairman and was appointed to this position to oversee Lazard Group s interest in LAI pursuant to the business alliance agreement. See Business Alliance Agreement.

We entered into several agreements with Lazard Group, LAZ-MD Holdings and LFCM Holdings to effect the separation and recapitalization transactions and to define and regulate the relationships of the parties. Except as described in this section, we do not have any material arrangements with LAZ-MD Holdings and LFCM Holdings other than ordinary course business relationships on arm s length terms.

Pursuant to a public offering that closed on September 9, 2008 and which was registered with the SEC, certain holders of LAZ-MD exchangeable interests exchanged their interests for Lazard Class A common stock (the selling shareholders) and sold 6,442,721 shares of our common stock to the general public at a price of $37.00 per share. In connection with this offering, Lazard Group LLC purchased an additional 715,858 shares of Lazard Ltd Class A common stock from the selling shareholders through Goldman, Sachs & Co. (Goldman, Sachs), as agent, at the public offering price less the underwriting discount. In addition, the underwriters had the option to purchase up to an additional 715,858 shares of Class A common stock from the selling shareholders. To the extent that this option was not exercised in full, Lazard Group agreed to separately purchase from the selling shareholders, at the public offering price less the underwriting discount, all of those shares covered by the option and not purchased pursuant to the option. Pursuant to that separate purchase agreement, Lazard Group purchased a further 68,238 shares of Class A common stock. In the aggregate, the selling shareholders sold a total of 7,874,437 shares of Class A common stock. Lazard Ltd did not receive any net proceeds from the sales of such Class A common stock.

The offering was underwritten by Goldman, Sachs and Lazard Capital Markets LLC, a subsidiary of LFCM Holdings. Goldman, Sachs acted as sole book-running manager and the representative of the underwriters. The amount of the underwriting discounts and commissions paid to the underwriters by the selling shareholders were negotiated with Goldman, Sachs on an arm s length basis. Goldman, Sachs purchased 80% of the shares being offered by the selling shareholders in the public offering and Lazard Capital Markets LLC purchased the remaining 20%, at an underwriting discount of $1.3875 per share. Lazard Capital Markets LLC earned revenue, net of estimated underwriting expenses, of approximately $1.85 million from the sale of shares of common stock offered by the selling shareholders. Our Board of Directors approved this public offering, including the selection of Lazard Capital Markets LLC as an underwriter. Pursuant to the Business Alliance Agreement with LFCM Holdings (described below), we received approximately half of the underwriting discount proceeds obtained by Lazard Capital Markets LLC in connection with this offering. See Business Alliance Agreement.

Agreements with LAZ-MD Holdings and LFCM Holdings

We have provided below summary descriptions of the master separation agreement and the other key related agreements we entered into with Lazard Group, LAZ-MD Holdings and LFCM Holdings in connection with the separation and recapitalization transactions, as well as any material amendments thereto. These agreements effected the separation and recapitalization transactions and also provide a framework for our ongoing relationship with LAZ-MD Holdings and LFCM Holdings. These agreements include:

- the master separation agreement,
- the license agreement,
- the administrative services agreement,
- the business alliance agreement, and
- the tax receivable agreement.

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The descriptions set forth below, which summarize selected terms of these agreements, are not complete. Copies of these agreements have been filed as exhibits to our Annual Report on Form 10-K and are available to the public from the SEC s internet site at www.sec.gov.

Master Separation Agreement

On May 10, 2005, Lazard Ltd entered into the master separation agreement with Lazard Group, LAZ-MD Holdings and LFCM Holdings. The master separation agreement contains key provisions relating to the separation and recapitalization transactions and the relationship among the parties after completion of the separation and recapitalization. The master separation agreement identified the assets, liabilities and businesses of Lazard Group that were transferred to LFCM Holdings in connection with the separation and recapitalization and described when and how the separation and recapitalization occurred. In addition, the master separation agreement continues to regulate aspects of the relationship among the parties, including the exchange mechanics of the LAZ-MD Holdings exchangeable interests.

Relationship Among Lazard Ltd, Lazard Group, LAZ-MD Holdings and LFCM Holdings. The master separation agreement contains various provisions governing the relationship among Lazard Ltd, Lazard Group, LAZ-MD Holdings and LFCM Holdings after the separation and recapitalization, including with respect to the following matters.

Limitation on Scope of LAZ-MD Holdings Operations. The master separation agreement provides that LAZ-MD Holdings will not engage in any business other than to act as the holding company for the working members interests in Lazard Group and Lazard Ltd s Class B common stock and actions incidental thereto, except as otherwise agreed by Lazard Ltd.

Parity of Lazard Group Common Membership Interests and Lazard Ltd s common stock. The master separation agreement sets forth the intention of Lazard Group and Lazard Ltd that the number of Lazard Group common membership interests held by Lazard Ltd (or its subsidiaries) will at all times be equal in number to the number of outstanding shares of Lazard Ltd s common stock, subject to customary anti-dilution adjustments.

Expenses. The master separation agreement sets forth the intention of Lazard Group to reimburse Lazard Ltd for its costs and expenses incurred in the ordinary course of business.

LAZ-MD Holdings Exchangeable Interests. The master separation agreement sets forth the terms and arrangements with respect to the LAZ-MD Holdings exchangeable interests, including the exchange rate and timing of exchangeability of those interests.

Indemnification. In general, under the master separation agreement, Lazard Group indemnifies LFCM Holdings, LAZ-MD Holdings and their respective representatives and affiliates for any and all losses (including tax losses) that such persons incur to the extent arising out of or relating to our business (both historically and in the future) and any and all losses that LFCM Holdings, LAZ-MD Holdings and their respective representatives and affiliates incur arising out of or relating to any breach of the master separation agreement by Lazard Group or Lazard Ltd.

In general, under the master separation agreement, LFCM Holdings indemnifies Lazard Ltd, Lazard Group, LAZ-MD Holdings and their respective representatives and affiliates for any and all losses (including tax losses) that such persons incur arising out of or relating to the separated businesses and the businesses conducted by LFCM Holdings (both historically and in the future) and any and all losses that Lazard Ltd, Lazard Group, LAZ-MD Holdings and their respective representatives or affiliates incur arising out of or relating to any breach of the master separation agreement by LFCM Holdings.

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In general, under the master separation agreement, LAZ-MD Holdings indemnifies Lazard Ltd, Lazard Group, LFCM Holdings and their respective representatives and affiliates for any and all losses that such persons incur to the extent arising out of or relating to any breach of the master separation agreement by LAZ-MD Holdings.

Any indemnification amounts are reduced by any insurance proceeds and other offsetting amounts recovered by the indemnitee. The master separation agreement specifies procedures with respect to claims subject to indemnification and related matters.

Other Provisions. The master separation agreement also contains provisions governing the sharing of information between Lazard Ltd and Lazard Group, on the one hand, and LAZ-MD Holdings and LFCM Holdings, on the other hand.

On November 6, 2006, Lazard Ltd, Lazard Group and LAZ-MD Holdings entered into Amendment No. 1 to the master separation agreement (the amendment). The amendment modified the provisions of the master separation agreement relating to the exchange terms of the LAZ-MD Holdings exchangeable interests. The modifications included the following:

An exchange of LAZ-MD Holdings exchangeable interests may be conditioned upon the actual sale of all or any portion (such amount designated by the holder) of the LAZ-MD Holdings exchangeable interests in connection with a registered offering.

Holders of LAZ-MD Holdings exchangeable interests that are then exchangeable may exchange these interests not only at annual registration periods but also in connection with demand and piggy-back registration opportunities and during window periods after the filing of selected Quarterly Reports on Form 10-Q and Annual Reports on Form 10-K by Lazard Ltd.

In addition to requiring the consent of Lazard Ltd, Lazard Group and LAZ-MD Holdings to amend the exchangeability provisions, any amendment that materially and adversely impacts the rights of any holder thereunder requires the consent of such holder or it will not apply to such person unless such amendment applies to and affects the rights of all holders equally, regardless of whether or not such person is providing services to Lazard Ltd.

Lazard License Agreement

The logo, trademarks, trade names and service marks of Lazard are currently property of various wholly-owned subsidiaries of Lazard Group. Pursuant to the master separation agreement, Lazard Group and those subsidiaries entered into a license agreement with LFCM Holdings that governs the use of the Lazard and LF names by LFCM Holdings in connection with the separated businesses.

In general, LFCM Holdings is permitted to use the Lazard and LF names to the extent that the Lazard name was being used at the time of the separation and recapitalization by the separated businesses and is permitted to use the LF name solely for the use of the name LFCM Holdings LLC in its capacity as a holding company for the separated businesses. Under the agreement, LFCM Holdings pays $100,000 per year for the right to license the Lazard name. The license survives with respect to capital markets activities until the expiration or termination of the business alliance provided for in the business alliance agreement that LFCM Holdings entered into with Lazard Group. With respect to alternative investment (including private equity) activities, LFCM Holdings license survives until the earlier of the expiration, termination or closing of the options to purchase the North American and European fund management activities, granted in the business alliance agreement, as described in Business Alliance Agreement , or until the business alliance agreement is terminated. The license for the LF name in LFCM Holdings LLC may be terminated by either party for any reason after the license with respect to the capital markets business and the license for the alternative investment activities have both expired or been terminated. Upon termination of either the license with respect to the capital markets business or the license for the alternative investment activities, the license fee for the calendar year following the termination and each year thereafter will be $75,000 per year. If both of those licenses are terminated, the license fee for the calendar year following the termination and each year thereafter will be $25,000 per year.

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Administrative Services Agreement

We entered into an administrative services agreement with LAZ-MD Holdings and LFCM Holdings regarding the provision of administrative and support services after the separation and recapitalization.

Pursuant to the administrative services agreement, Lazard Group provides selected administrative and support services to LAZ-MD Holdings and LFCM Holdings, such as:

- cash management and debt service administration,
- accounting and financing activities,
- tax,
- payroll,
- human resources administration,
- financial transaction support,
- information technology,
- public communications,
- data processing,
- procurement,
- real estate management, and
- other general administrative functions.

Lazard Group charges LFCM Holdings for the above services based on Lazard Group s cost allocation methodology. Notwithstanding Lazard Group s providing data processing services, Lazard Group does not provide any security administration services, as such services were transferred to LFCM Holdings.

Pursuant to the administrative services agreement, Lazard Group also provides tax services to LAZ-MD Holdings and LFCM Holdings provides security administrative services to Lazard Group.

The services provided by Lazard Group to LFCM Holdings, and by LFCM Holdings to Lazard Group, under the administrative services agreement generally were to be provided until December 31, 2008, and were subject to automatic annual renewal, unless either party gives 180 days notice of termination. As of December 31, 2008, neither party has given notice of termination, and the agreement has been automatically renewed for a one year period. LFCM Holdings and Lazard Group have a right to terminate the services earlier if there is a change of control of either party or the business alliance provided in the business alliance agreement expires or is terminated. The party receiving a service may also terminate a service earlier upon 180 days notice as long as such receiving party pays the service provider an additional 3 months of service fee for the terminated service. The services provided by Lazard Group to LAZ-MD Holdings will generally be provided until December 31, 2014, unless terminated earlier because of a change of control of either party. See Note 19 of Notes to the Consolidated Financial Statements contained in Lazard s 2008 Annual Report on Form 10-K for a discussion of payments made in 2008 under the administrative services agreement.

In addition, in connection with the various agreements entered into in connection with the CP II MgmtCo Spin-Off, Lazard Group agreed to provide certain specified services to LFCM Holdings (which, in turn, LFCM Holdings may provide to CP II MgmtCo) pursuant to the administrative services agreement and to generally not terminate such specified services until June 30, 2010. See Business Alliance Agreement for a discussion of the CP II MgmtCo Spin-Off.

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In the absence of gross negligence or willful misconduct, the party receiving services under the administrative services agreement waives any rights and claims it may have against the service provider in respect of any services provided under the administrative services agreement.

Business Alliance Agreement

Lazard Group and LFCM Holdings entered into a business alliance agreement that provides for the continuation of Lazard Group s and LFCM Holdings business relationships in the areas and on the terms summarized below.

The business alliance agreement provides that Lazard Group will refer to LFCM Holdings selected opportunities for underwriting and distribution of securities. In addition, Lazard Group will provide assistance in the execution of any such referred business. In exchange for this referral obligation and assistance, Lazard Group is entitled to a referral fee from LFCM Holdings equal to approximately half of the revenue obtained by LFCM Holdings in respect of any underwriting or distribution opportunity. In addition, LFCM Holdings will refer opportunities in the Financial Advisory and Asset Management businesses to Lazard Group. In exchange for this referral, LFCM Holdings is entitled to a customary finders fee from Lazard Group. In addition, the business alliance agreement further provides that, during the term of the business alliance, Lazard Frères & Co. LLC and LAM Securities will introduce execution and settlement transactions to newly formed broker-dealer entities affiliated with LFCM Holdings. The term of the business alliance expires on May 10, 2010, subject to periodic automatic renewal, unless either party elects to terminate in connection with any such renewal or elects to terminate on account of a change of control of either party. See Note 19 of Notes to the Consolidated Financial Statements contained in Lazard s 2008 Annual Report on Form 10-K for a discussion of payments made in 2008 under the business alliance agreement.

In addition, the business alliance agreement granted Lazard Group options to acquire the North American and European fund management activities of Lazard Alternative Investments Holdings LLC (LAI), the subsidiary of LFCM Holdings that owns and operates LFCM Holdings alternative investment activities. The option is currently exercisable at any time prior to May 10, 2014 for a total price of $4.5 million. The option may be exercised by Lazard Group in two parts, consisting of a $2.5 million option to purchase the North American fund management activities and a $2 million option to purchase the European fund management activities. The option price for the North American fund management activities reflects a reduction of $1.5 million due to the payment of a like amount to LFCM Holdings in February 2008 in connection with the initial public offering of Sapphire Industrials Corp., a newly-organized special purpose acquisition company formed by a subsidiary of Lazard Group and a reduction of $4 million due to the payment of a like amount in February 2009 to LFCM Holdings in connection with the CP II MgmtCo Spin-Off and the amendments to the business alliance agreement described below. In addition to the option price reduction, the $1.5 million payment was made in exchange for an agreement by LFCM Holdings not to assert certain claims that it may believe that it had under the business alliance agreement following the initial public offering of Sapphire. LAI s fund management activities initially consisted of fund management and general partner entities that were transferred to LFCM Holdings in connection with the separation. The business alliance agreement provides that, prior to the expiration, termination or exercise of the options, Lazard Group has certain governance rights with respect to LAI, and LFCM Holdings is required to support the business of LAI. Lazard Group may agree to new capital commitments and other obligations with respect to newly formed funds in its sole discretion. Lazard Group may be entitled to receive from LFCM Holdings all or a portion of payments from the incentive fees attributable to newly established LAI funds less compensation payable to investment professionals who manage these funds. In addition, Lazard Group is obligated to abide by obligations that existed as of the date of the separation and recapitalization with respect to funds existing as of such date and, other than with respect to the private equity operations retained by Lazard Group in the separation, Lazard Group will not compete with the fund management business of LAI until the expiration, termination or exercise of the options. In February 2009, pursuant to agreements entered into by us, a subsidiary of LAI (LAI North America), LFCM Holdings and the investment professionals who manage Corporate Partners II Limited (CP II), equity ownership of the management company of CP II (CP II

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MgmtCo) was transferred from LAI North America to the investment professionals who manage CP II (the CP II MgmtCo Spin-Off). In connection with the CP II MgmtCo Spin-Off, Lazard Group made a $4 million cash payment to LFCM Holdings. In consideration for this payment, the business alliance agreement was amended to remove any restriction on Lazard Group engaging in private equity businesses in North America and to reduce the price of our option to acquire the fund management activities of LAI in North America from $6.5 million to $2.5 million. See Note 10 of Notes to the Consolidated Financial Statements contained in Lazard s 2008 Annual Report on Form 10-K for a further discussion of the CP II MgmtCo Spin-Off.

Pursuant to the business alliance agreement, LFCM Holdings agreed not to compete with any existing Lazard Group businesses until the latest to occur of the termination of the license agreement, the expiration, termination or exercise of the options to purchase the North American merchant banking activities and the European merchant banking activities or the expiration or termination of the business alliance.

Tax Receivable Agreement

In connection with the separation and recapitalization, we entered into a tax receivable agreement with LFCM Holdings on May 10, 2005. The agreement was based on the mutual recognition that the redemption of the Lazard Group membership interests held by the historical partners on May 10, 2005 for cash resulted in, and the exchange from time to time of the LAZ-MD Holdings exchangeable interests for shares of our common stock may result in, an increase in the tax basis of the tangible and intangible assets of Lazard Group attributable to our subsidiaries interest in Lazard Group that otherwise would not have been available. Although the IRS may challenge all or part of that tax basis increase, and a court could sustain such a challenge by the IRS, these increases in tax basis, if sustained, may reduce the amount of tax that our subsidiaries would otherwise be required to pay in the future.

The tax receivable agreement provides for the payment by our subsidiaries to LFCM Holdings of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that we actually realize as a result of these increases in tax basis and of certain other tax benefits related to our entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivable agreement. Our subsidiaries expect to benefit from the remaining 15% of cash savings, if any, in income tax that our subsidiaries realize. Any amount paid by our subsidiaries to LFCM Holdings will generally be distributed to the working members, including our named executive officers, in proportion to their goodwill interests underlying the working member interests held by or allocated to such persons immediately prior to the separation.

In order to mitigate the risk to us of an IRS challenge to the tax basis increase, 20% of each payment that would otherwise be made by our subsidiaries will be deposited into an escrow account until the expiration of the statute of limitations for the tax year to which the payment relates. In addition, if the IRS successfully challenges the tax basis increase, any subsequent payments our subsidiaries are required to make under the tax receivable agreement will be reduced accordingly. However, under no circumstances will our subsidiaries receive any reimbursements from LFCM Holdings or any of the holders of LFCM Holdings of amounts previously paid by our subsidiaries under the tax receivable agreement. As a result, under certain circumstances, our subsidiaries could make payments to LFCM Holdings under the tax receivable agreement in excess of our subsidiaries cash tax savings.

For purposes of the tax receivable agreement, cash savings in income and franchise tax will be computed by comparing our subsidiaries actual income and franchise tax liability to the amount of such taxes that our subsidiaries would have been required to pay had there been no increase in the tax basis of the tangible and intangible assets of Lazard Group attributable to our subsidiaries interest in Lazard Group as a result of the redemption and exchanges and had our subsidiaries not entered into the tax receivable agreement. The term of the tax receivable agreement commenced on May 10, 2005 and will continue until all such tax benefits have been utilized or expired, unless our subsidiaries exercise their right to terminate the tax receivable agreement for an amount based on an agreed value of payments remaining to be made under the agreement.

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While the actual amount and timing of any payments under this agreement will vary depending upon a number of factors, including the timing of exchanges, the extent to which such exchanges are taxable, the allocation of the step-up among the Lazard Group assets, and the amount and timing of our subsidiaries income, we expect that, as a result of the size of the increases in the tax basis of the tangible and intangible assets of Lazard Group attributable to our subsidiaries interest in Lazard Group, during the 24-year term of the tax receivable agreement, the payments that our subsidiaries may make to LFCM Holdings could be substantial. If the LAZ-MD Holdings exchangeable interests had been effectively exchanged in a taxable transaction for common stock at the close of business on December 31, 2008, the aggregate increase in the tax basis attributable to our subsidiaries interest in Lazard Group would have been approximately $3.0 billion (based on the closing price per share of our common stock on the NYSE of $29.74), including the increase in tax basis associated with the redemption and recapitalization. The potential future increase in tax basis will depend on the Lazard common stock price at the time of exchange. The cash savings that our subsidiaries would actually realize as a result of this increase in tax basis likely would be significantly less than this amount multiplied by our effective tax rate due to a number of factors, including sufficient taxable income to absorb the increase in tax basis, the allocation of the increase in tax basis to foreign or non-amortizable assets, the impact of the increase in the tax basis on our ability to use foreign tax credits and the rules relating to the amortization of intangible assets. The tax receivable agreement requires approximately 85% of such cash savings, if any, to be paid to LFCM Holdings. Our ability to achieve benefits from any such increase, and the payments to be made under this agreement, will depend upon a number of factors, as discussed above, including the timing and amount of our future income.

There was one payment of approximately $7.0 million made under the tax receivable agreement in 2008.

LAZ-MD Holdings Stockholders Agreement

Members of LAZ-MD Holdings, consisting of the current and former working members of Lazard Group, including our managing directors and named executive officers, have entered into a stockholders agreement with LAZ-MD Holdings and Lazard Ltd that addresses, among other things, LAZ-MD Holdings voting of its share of Class B common stock and registration rights in favor of the shareholders who are party to the agreement. Every working member at the time of the separation and recapitalization was offered the opportunity to become a party to the LAZ-MD Holdings stockholders agreement.

The LAZ-MD Holdings stockholders agreement will continue in effect until all LAZ-MD Holdings exchangeable interests have been exchanged for shares of Lazard Ltd s common stock, and individual members of LAZ-MD Holdings will cease being party to the LAZ-MD Holdings stockholders agreement upon full exchange of his or her LAZ-MD Holdings exchangeable interests and underlying Lazard Group interests for Lazard Ltd s common stock and such common stock is capable of resale generally under Rule 144 of the Securities Act of 1933, as amended (the Securities Act). The LAZ-MD Holdings stockholders agreement may be terminated on an earlier date by LAZ-MD Holdings members entitled to vote at least 66 2/3% of the aggregate voting power represented by the LAZ-MD Holdings members who are party to the LAZ-MD Holdings stockholders agreement. The LAZ-MD Holdings stockholders agreement generally may be amended at any time by a majority of the aggregate voting power represented by LAZ-MD Holdings members who are party to the LAZ-MD Holdings stockholders agreement.

On November 6, 2006, Lazard Group delivered to LAZ-MD Holdings an acknowledgement letter (the acknowledgement letter) modifying the terms of the retention agreements of persons party to the amended and restated LAZ-MD stockholders agreement who were at that time current managing directors. The modifications include Lazard Group s agreement that, in the event that any such person shall become entitled to exchangeability immediately following the third anniversary of the initial equity public offering, or May 10, 2008, of his or her LAZ-MD Holdings exchangeable interests, that person will not forfeit the right to early exchangeability with respect to the first tranche of his or her LAZ-MD Holdings exchangeable interests if he or she breaches the restrictive covenants (*i.e.*, non-compete and non-solicitation provisions) in the retention agreement of such individual (although shares in the second and third tranches that would otherwise become

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exchangeable would not be exchangeable until the eighth anniversary of our equity public offering (May 10, 2013) in such an instance). The terms of the acknowledgement letter were approved by our Board of Directors.

Registration Rights. On November 6, 2006, the LAZ-MD Holdings stockholders agreement was amended and restated. The amended and restated stockholders agreement modified in certain respects the terms of the registration rights granted to holders of the LAZ-MD Holdings exchangeable interests who are party to that agreement.

The amended and restated LAZ-MD Holdings stockholders agreement provides that the holders of shares of Lazard Ltd s common stock already issued or to be issued upon exchange of the LAZ-MD Holdings exchangeable interests or the Lazard Group common membership interests currently held by LAZ-MD Holdings will be granted registration rights. These shares we refer to as registrable securities, and the holders of these registrable securities we refer to as holders. The holders are third-party beneficiaries for that purpose under the amended and restated LAZ-MD Holdings stockholders agreement, meaning that they will have the right to request LAZ-MD Holdings to compel Lazard Ltd to honor those obligations under the amended and restated LAZ-MD Holdings stockholders agreement.

The amended and restated LAZ-MD Holdings stockholders agreement provides that, after exchange for shares of Lazard Ltd s common stock, each holder is entitled to unlimited piggyback registration rights, meaning that each holder can include his or her registrable securities in registration statements filed by Lazard Ltd, subject to certain limitations. Holders also have demand registration rights, meaning that, subject to certain limitations, after exchange for shares of Lazard Ltd s common stock, they may require us to register the registrable securities held by them, provided that the minimum number of registrable securities necessary to effect a demand registration is the lesser of (1) the number of shares having a market value in excess of $50 million at such time (or $20 million after the ninth anniversary of our equity public offering (May 10, 2014)) or (2) 2,000,000 shares of our common stock. Lazard Ltd will pay the costs associated with all such registrations. Moreover, Lazard Ltd also will use its reasonable best efforts to file and make effective a registration statement on the third through the ninth anniversaries of the separation and recapitalization, in order to register registrable securities that were issued on those anniversaries or otherwise subject to continuing volume or transfer restrictions under Rule 144 of the Securities Act upon the exchange of the LAZ-MD Holdings exchangeable interests and the Lazard Group common membership interests, provided that the amount of registrable securities subject to such registration constitutes at least $50 million of shares of Lazard Ltd s outstanding common stock.

Shares of Lazard Ltd s common stock will cease to be registrable securities upon the consummation of any sale of such shares pursuant to an effective registration statement or under Rule 144 of the Securities Act or when they become eligible for sale under Rule 144 of the Securities Act. However, any holder who has shares that would have been registrable securities but for their eligibility for sale under Rule 144 and who holds, in the aggregate, an amount of registrable securities with a market value in excess of $25 million of Lazard Ltd s outstanding common stock will be entitled to continued demand, annual registration and piggyback registration rights as described above.

Any amendments to the registration rights provisions of the amended and restated stockholders agreement shall require the affirmative approval of holders holding two-thirds of the shares of Lazard Ltd common stock covered under the amended and restated stockholders agreement in addition to the consent of Lazard Ltd and LAZ-MD Holdings, and any amendment that materially and adversely impacts the rights of any holder under the amended and restated stockholders agreement will also require the consent of such holder or it will not apply to such person unless such amendment applies to and affects the rights of all holders equally, regardless of whether or not such person is providing services to Lazard Ltd.

Each holder of registrable securities party to the amended and restated stockholders agreement may enforce his or her registration rights directly against Lazard Ltd, although LAZ-MD Holdings may elect to assume, seek and conduct the enforcement of any claims itself on behalf of such holder.

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We expect that substantially all of Lazard Ltd s common stock to be issued upon exchange of the LAZ-MD Holdings exchangeable interests will have the foregoing registration rights.

Voting Rights. Prior to any vote of the shareholders of Lazard Ltd, the LAZ-MD Holdings stockholders agreement requires a separate, preliminary vote of the members of LAZ-MD Holdings who are party to the LAZ-MD Holdings stockholders agreement (either by a meeting or by proxy or written instruction of the members of LAZ-MD Holdings) on each matter upon which a vote of the shareholders is proposed to be taken. Pursuant to the LAZ-MD Holdings stockholders agreement, members of LAZ-MD Holdings holding LAZ-MD exchangeable interests who are party to that agreement are individually entitled to direct LAZ-MD Holdings how to vote their proportionate interest in Lazard Ltd s Class B common stock on an as-if-exchanged basis. For example, if a current or former working member s LAZ-MD Holdings exchangeable interests were exchangeable for 1,000 shares of Lazard Ltd s common stock, that working member would be able to instruct LAZ-MD Holdings how to vote 1,000 of the votes represented by the Class B common stock. However, the LAZ-MD Holdings Board of Directors has the ability to vote the voting interest represented by the Class B common stock in its discretion if the LAZ-MD Holdings Board of Directors determines that it is in the best interests of LAZ-MD Holdings.

The votes under the Class B common stock that are associated with any current or former working member who does not direct LAZ-MD Holdings how to vote on a particular matter will be abstained from voting. The terms of the LAZ-MD Holdings stockholders agreement with respect to voting continue to apply to any party to the LAZ-MD Holdings stockholders agreement who receives Lazard Group common membership interests upon exchange of his or her LAZ-MD Holdings exchangeable interests, until such time as that holder exchanges all of his or her Lazard Group common membership interests for shares of Lazard Ltd s common stock.

Certain Relationships with Our Directors, Executive Officers and Employees

Mr. Dominique Ferrero, a member of our Board of Directors, is the Chief Executive Officer of Natixis. In April 2004, Lazard Group and Natixis (as the successor to IXIS Corporate & Investment Bank) entered into a cooperation arrangement to place and underwrite securities on the French equity primary capital markets under a common brand, Lazard-Natixis (formerly Lazard-Ixis), and cooperate in their respective origination, syndication and placement activities. This cooperation covers French listed companies exceeding a market capitalization of 500 million. On March 15, 2005, Lazard Group and Natixis expanded this arrangement into an exclusive arrangement within France. The cooperation arrangement also provides for an alliance in real estate advisory work with the objective of establishing a common brand for advisory and financing operations within France. It also added an exclusive mutual referral cooperation arrangement, subject to the fiduciary duties of each firm, with the goal of referring clients from Lazard Group to Natixis for services relating to corporate banking, lending, securitizations and derivatives within France and from Natixis to Lazard Group for mergers and acquisitions advisory services within France. This expanded cooperation arrangement was set to expire during the third quarter of 2008, however, the arrangement continues to be applied in accordance with its general terms pending the outcome of the currently ongoing discussions regarding its formal extension. In 2008, the cooperation arrangement generated $16.2 million of gross revenue for Lazard.

Mr. Wasserstein, our Chairman and Chief Executive Officer, serves as the Chairman and is the majority owner of Wasserstein Holdings, LLC, the ultimate general partner of Wasserstein & Co., LP, a separate merchant banking firm in which Lazard does not hold any economic interest and at which Ellis Jones, who serves on our Board of Directors, serves as Chief Executive Officer. Wasserstein & Co., LP focuses primarily on leveraged buyout investments, venture capital investments and related investment activities, and manages capital on behalf of its institutional and individual investors, including public and corporate pension funds, foreign governmental entities, endowments and foundations and high-net worth individuals. Wasserstein & Co., LP also manages capital from its partners and officers. In addition, Wasserstein Holdings, LLC has various other business interests.

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The Wasserstein funds may engage in activities that are similar to those in which we and our affiliates are engaged. If Mr. Wasserstein desires to make available any corporate opportunity of ours or our affiliates that arises from a relationship of ours or any of our affiliates (other than any relationship of Mr. Wasserstein existing on November 15, 2001), those opportunities can only be referred to the Wasserstein funds if Mr. Wasserstein first obtains the written consent of our Nominating & Governance Committee.

Compensation Committee Interlocks and Insider Participation

The members of our Compensation Committee are Steven J. Heyer, Sylvia Jay and Michael J. Turner. Mr. Wasserstein, our Chairman and Chief Executive Officer, serves as the Chairman and is the majority owner of Wasserstein Holdings, LLC, the ultimate general partner of Wasserstein & Co., LP, a separate merchant banking firm in which Lazard does not hold any economic interest and at which Ellis Jones, who serves on our Board of Directors, serves as Chief Executive Officer. See Certain Relationships with our Directors, Executive Officers and Employees above.

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AUDIT COMMITTEE REPORT

The primary function of the Audit Committee is to assist the Board of Directors in its oversight of Lazard s financial reporting process. The Committee operates pursuant to a charter approved by our Board of Directors. Management is responsible for Lazard s financial statements, the overall reporting process and the system of internal controls, including internal control over financial reporting. The independent registered public accounting firm (independent auditors) is responsible for conducting annual audits and quarterly reviews of Lazard s financial statements and expressing an opinion as to the conformity of the annual financial statements with generally accepted accounting principles in the United States of America and expressing an opinion on management s annual assessment of internal control over financial reporting.

In the performance of its oversight function, the Committee has reviewed and discussed the audited financial statements as of and for the year ended December 31, 2008 with management and the independent auditors. The Committee has also discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, *Communication with Audit Committees*. Finally, the Committee has received the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, has considered whether the provision of other non-audit services by the independent auditors to the Company is compatible with maintaining the independent auditor s independence and has discussed with the independent auditors the auditors independence.

It is not the duty or responsibility of the Committee to conduct auditing or accounting reviews or procedures. In performing their oversight responsibility, members of the Committee rely without independent verification on the information provided to them, and on the representations made, by management and the independent accountants. Accordingly, the Audit Committee s oversight does not provide an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or appropriate internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Audit Committee s considerations and discussions do not assure that the audit of Lazard s financial statements has been carried out in accordance with generally accepted auditing standards or that the financial statements are presented in accordance with generally accepted accounting principles.

Based upon the review and discussions described in this report, and subject to the limitations on the role and responsibilities of the Committee referred to above and in the charter, the Committee recommended to our Board of Directors that the audited financial statements referred to above be included in Lazard s Annual Report on Form 10-K for the year ended December 31, 2008 to be filed with the Securities and Exchange Commission.

Dated as of February 23, 2009

Audit Committee

Ronald Doerfler (Chair), Philip A. Laskawy and Hal S. Scott

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ITEM 2

RATIFICATION OF APPOINTMENT OF INDEPENDENT

REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has recommended the selection of Deloitte & Touche LLP as our independent registered public accounting firm for the 2009 fiscal year, subject to shareholder ratification. Deloitte & Touche LLP will audit our consolidated financial statements for fiscal 2009 and perform other services. Deloitte & Touche LLP acted as Lazard s independent registered public accounting firm for the year ended December 31, 2008. In addition to this appointment, shareholders are requested to authorize the Board of Directors of the Company, acting by the Audit Committee of the Company, to set the remuneration for Deloitte & Touche LLP for their audit of the Company for the year ended December 31, 2009. A Deloitte & Touche LLP representative will be present at the meeting, and will have an opportunity to make a statement and to answer your questions. The affirmative vote of a majority of the combined voting power of all of the shares of Lazard common stock present or represented and entitled to vote at the annual general meeting is required to ratify the appointment of Deloitte & Touche LLP. Unless otherwise directed in the proxy, the persons named in the proxy will vote **FOR** the ratification of Deloitte & Touche LLP. The Board recommends you vote **FOR** this proposal. If a majority of the votes cast on this matter are not cast in favor of the appointment of Deloitte & Touche LLP, the Board of Directors of the Company, in its discretion may select another independent auditor as soon as possible.

Fees of Independent Registered Public Accounting Firm

For the fiscal years ended December 31, 2008 and 2007, fees for services provided by Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu and their respective affiliates were as follows (in thousands of dollars):

Fees	2008	2007
Audit Fees for the audit of Lazard s annual financial statements, the audit of the effectiveness of Lazard s controls over financial reporting and reviews of the financial statements included in Lazard s quarterly reports on Form 10-Q, including services in connection with statutory and regulatory filings or engagements	$ 6,310	$ 5,587
Audit-Related Fees, including fees for audits of employee benefit plans, computer and control related audit services, agreed-upon procedures, merger and acquisition assistance and other accounting research services	$ 829	$ 673
Tax Fees for tax consulting and compliance services not related to the audit	$ 1,095	$ 973
All Other Fees	$ 30	$ 213

The Audit Committee has adopted a policy regarding pre-approval of audit and non-audit services provided by Deloitte & Touche LLP to Lazard and its subsidiaries. The policy provides the guidelines necessary to adhere to Lazard s commitment to auditor independence and compliance with relevant laws, regulations and guidelines relating to auditor independence. The policy contains a list of prohibited non-audit services, and sets forth four categories of permitted services (Audit, Audit-Related, Tax and Other), listing the types of permitted services in each category. All of the permitted services require pre-approval by the Audit Committee. In lieu of Audit Committee pre-approval on an engagement-by-engagement basis, each category of permitted services, with reasonable detail as to the types of services contemplated, is pre-approved as part of the annual budget approval by the Audit Committee. Permitted services not contemplated during the budget process must be presented to the Audit Committee for approval prior to the commencement of the relevant engagement. The Audit Committee chair, or, if he is not available, any other member of the Committee, may grant approval for any such engagement if approval is required prior to the next scheduled meeting of the Committee. At least twice a year,

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the Audit Committee is presented with a report showing amounts billed by the independent auditor compared to the budget approvals for each of the categories of permitted services. The Audit Committee reviews the suitability of the pre-approval policy at least annually.

SHAREHOLDER PROPOSALS AND NOMINATIONS FOR THE

2010 ANNUAL GENERAL MEETING

Proxy Statement Proposals. Under the rules of the SEC, proposals that shareholders seek to have included in the proxy statement for our next annual general meeting of shareholders must be received by the Secretary of Lazard not later than November 19, 2009.

Other Proposals and Nominations. Our Bye-laws govern the submission of nominations for director or other business proposals that a shareholder wishes to have considered at a meeting of shareholders, but which are not included in Lazard s proxy statement for that meeting. Under our Bye-laws, nominations for director or other business proposals to be addressed at our next annual general meeting may be made by a shareholder entitled to vote who has delivered a notice to the Secretary of Lazard no later than the close of business on January 28, 2010, and not earlier than December 29, 2009. The notice must contain the information required by the Bye-laws.

These advance notice provisions are in addition to, and separate from, the requirements that a shareholder must meet in order to have a proposal included in the proxy statement under the rules of the SEC.

A proxy granted by a shareholder will give discretionary authority to the proxies to vote on any matters introduced pursuant to the above advance notice Bye-law provisions, subject to applicable rules of the SEC.

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Annex A

LAZARD LTD

STANDARDS OF DIRECTOR INDEPENDENCE

The Board has established these guidelines to assist it in determining whether or not directors qualify as independent pursuant to the guidelines and requirements set forth in the New York Stock Exchange s Corporate Governance Rules. In each case, the Board will broadly consider all relevant facts and circumstances and shall apply the following standards (in accordance with the guidance, and subject to the exceptions, provided by the New York Stock Exchange in its Commentary to its Corporate Governance Rules):

1. Employment and commercial relationships affecting independence.

A. Current Relationships. A director will not be independent if: (i) the director is a current partner or current employee of Lazard s internal or external auditor; (ii) an immediate family member of the director is a current partner of Lazard s internal or external auditor; (iii) an immediate family member of the director is (a) a current employee of Lazard s internal or external auditor and (b) participates in the internal or external auditor s audit, assurance or tax compliance (but not tax planning) practice; (iv) the director is a current employee, or an immediate family member of the director is a current executive officer, of an entity that has made payments to, or received payments from, Lazard for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of $1 million or 2% of such other company s consolidated gross revenues; or (v) an immediate family member of the director is currently an executive officer of Lazard.

B. Relationships within Preceding Three Years. A director will not be independent if, within the preceding three years: (i) the director is or was an employee of Lazard; (ii) an immediate family member of the director is or was an executive officer of Lazard; (iii) the director or an immediate family member of the director was (but no longer is) a (a) partner or employee of Lazard s internal or external auditor and (b) personally worked on Lazard s audit within that time; (iv) the director or an immediate family member of the director received more than $100,000 in direct compensation in any twelve-month period from Lazard, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service); or (v) a present Lazard executive officer is or was on the Compensation Committee of the Board of Directors of a company that concurrently employed the Lazard director or an immediate family member of the director as an executive officer.

2. Relationships not deemed material for purposes of director independence.

In addition to the provisions of Section 1 above, each of which must be fully satisfied with respect to each independent director, the Board must affirmatively determine that the director has no material relationship with Lazard. To assist the Board in this determination, and as permitted by the New York Stock Exchange s Corporate Governance Rules, the Board has adopted the following categorical standards of relationships that are not considered material for purposes of determining a director s independence. Any determination of independence for a director that does not meet these categorical standards will be based upon all relevant facts and circumstances and the Board shall disclose the basis for such determination in the Company s proxy statement.

A. Equity Ownership. A relationship arising solely from a director s ownership of an equity or limited partnership interest in a party that engages in a transaction with Lazard, so long as such director s ownership interest does not exceed 5% of the total equity or partnership interests in that other party.

B. Director Status. A relationship arising solely from a director s position as (i) director or advisory director (or similar position) of another company or for-profit corporation or organization that engages in a transaction with Lazard or (ii) director or trustee (or similar position) of a tax exempt organization that engages in a transaction with Lazard (other than a charitable contribution to that organization by Lazard).

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C. Ordinary Course. A relationship arising solely from financial services transactions between Lazard and a company of which a director is an executive officer, employee or owner of 5% or more of the equity of that company, if such transactions are made in the ordinary course of business and on terms and conditions and under circumstances that are substantially similar to those prevailing at the time for companies with which Lazard has a comparable relationship and that do not have a director of Lazard serving as an executive officer.

D. Indebtedness. A relationship arising solely from a director s status as an executive officer, employee or owner of 5% or more of the equity of a company to which Lazard is indebted at the end of Lazard s preceding fiscal year, so long as the aggregate amount of the indebtedness of Lazard to such company is not in excess of 5% of Lazard s total consolidated assets at the end of Lazard s preceding fiscal year.

E. Charitable Contributions. The director serves as an officer, employee, director or trustee of a tax exempt organization, and the discretionary charitable contributions by Lazard to the organization are less than the greater of $1 million or 2% of the organization s aggregate annual charitable receipts during the organization s preceding fiscal year.

F. Personal Relationships. The director receives products or services (*e.g.*, investment products or investment management services) from Lazard in the ordinary course of business and on substantially the same terms as those prevailing at the time for comparable products or services provided to unaffiliated third parties.

G. Other. Any other relationship or transaction that is not covered by any of the standards listed above and in which the amount involved does not exceed $10,000 in any fiscal year shall not be deemed a material relationship or transaction that would cause a director not to be independent.

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The Board of Directors Recommends a vote FOR the listed nominees and Item 2.

Item 1. Election of Directors

For All ¨ **Withhold All** ¨ **For All Except** ¨

Nominees: 01) Steven J. Heyer, 02) Sylvia Jay, 03) Vernon E. Jordan, Jr.

To withhold authority to vote, mark For All Except and write the nominee s number on the line below.

_____

		For	**Against**	**Abstain**
Item 2.	Ratification of appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2009 and authorization of Lazard Ltd s Board of Directors, acting by the Audit Committee, to set their remuneration.	¨	¨	¨

Please indicate if you plan to attend the 2009 annual general meeting. **YES** ¨ **NO** ¨

Mark Here for Address Change or Comments ¨

SEE REVERSE

Signature Signature Date

Please sign exactly as your name or names appear above. For joint accounts, each owner should sign. If signing for a corporation or partnership or as agent, attorney or fiduciary, indicate capacity in which you are signing.

FOLD AND DETACH HERE

WE ENCOURAGE YOU TO TAKE ADVANTAGE OF INTERNET OR TELEPHONE VOTING,

BOTH ARE AVAILABLE 24 HOURS A DAY, 7 DAYS A WEEK.

Proxies submitted by telephone or internet must be received by 11:59 P.M. Eastern Daylight Time,

the day before the meeting date.

VOTE BY INTERNET		**TELEPHONE**
http://www.eproxy.com/laz	***OR***	**1-866-580-9477**
Use the Internet to vote your proxy. Have your proxy card in hand when you access the web site.		Use any touch-tone telephone to vote your proxy. Have your proxy card in hand when you call.

If you vote your proxy by internet or by telephone, you do NOT need to mail back your proxy card.

To vote by mail, mark, sign and date your proxy card and return it in the enclosed postage-paid envelope.

Your Internet or telephone vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card.

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PROXY **PROXY**

Lazard Ltd

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

FOR THE 2009 ANNUAL GENERAL MEETING OF SHAREHOLDERS

The undersigned hereby appoints Bruce Wasserstein, Steven J. Golub and Scott D. Hoffman proxies (each with power to act alone and with the power of substitution) of the undersigned to vote all shares which the undersigned would be entitled to vote at the Annual General Meeting of Shareholders of Lazard Ltd to be held on Tuesday, April 28, 2009 at 8:30 a.m. Eastern Daylight Time (9:30 a.m. Bermuda time), in the Tucker s Point Hotel, 60 Tucker s Point Drive, Harrington Sound, Bermuda and at any adjournment or postponement thereof.

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN. IF NO DIRECTIONS ARE GIVEN, THIS PROXY WILL BE VOTED FOR ITEMS 1 AND 2. IN THEIR DISCRETION THE PROXY HOLDERS ARE AUTHORIZED TO VOTE UPON ANY OTHER MATTERS THAT MAY PROPERLY COME BEFORE THE MEETING OR ANY ADJOURNMENT OR POSTPONEMENT THEREOF.

BNYMELLON SHAREOWNER SERVICES
PROXY PROCESSING
PO BOX 3550
SOUTH HACKENSACK, NJ 07606-9250

Address Change / Comments

(Mark the corresponding box on the reverse side)