

Lazard Ltd
Form DEF 14A
March 20, 2012
Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

Information Required in Proxy Statement

Schedule 14A Information

**Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- | | |
|---|--|
| <input type="checkbox"/> Preliminary Proxy Statement | <input type="checkbox"/> Confidential, for Use of the Commission |
| <input checked="" type="checkbox"/> Definitive Proxy Statement | Only (as permitted by Rule 14a-6(e)(2)) |
| <input type="checkbox"/> Definitive Additional Materials | |
| <input type="checkbox"/> Soliciting Material Pursuant to § 240.14a-12 | |

Lazard Ltd

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Edgar Filing: Lazard Ltd - Form DEF 14A

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

2012

Notice of Annual

General Meeting

and Proxy Statement

Table of Contents

March 19, 2012

Dear Shareholder:

You are cordially invited to attend the 2012 Annual General Meeting of Shareholders of Lazard Ltd and any adjournment or postponement of the meeting. We will hold the meeting on Tuesday, April 24, 2012, at 4:30 p.m. Eastern Daylight Time (5:30 p.m. Bermuda time), in the Tucker s Point Hotel, 60 Tucker s Point Drive, Harrington Sound, Bermuda.

Enclosed you will find a notice setting forth the business expected to come before the meeting, the Proxy Statement, a form of proxy and a copy of our 2011 Annual Report.

Your vote is very important to us. Your shares should be represented and voted, regardless of whether you plan to attend the meeting in person.

Sincerely,

Kenneth M. Jacobs

Chairman and Chief Executive Officer

Lazard Ltd

Clarendon House

2 Church Street

Hamilton, HM11, Bermuda

Table of Contents

Lazard Ltd

**Notice of 2012 Annual General Meeting
of Shareholders and Proxy Statement**

Date: Tuesday, April 24, 2012
Time: 4:30 p.m. Eastern Daylight Time

(5:30 p.m. Bermuda time)
Place: Tucker s Point Hotel
60 Tucker s Point Drive

Harrington Sound, Bermuda

Matters to be voted on:

1. Election of four directors to our Board of Directors for a three-year term expiring at the conclusion of the Company s annual general meeting in 2015;
2. Ratification of appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2012 and authorization of the Company s Board of Directors, acting by the Company s Audit Committee, to set their remuneration;
3. Consideration of a non-binding advisory vote regarding executive compensation; and
4. Any other matters that may properly be brought before the meeting or any adjournment or postponement thereof.

This notice and proxy statement describes the matters being voted on and contains certain other information. In this material, the terms we , our , us , the firm , Lazard or the Company refer to Lazard Ltd and its subsidiaries, including Lazard Group LLC, a Delaware limited liability company (Lazard Group), which is the current holding company for our businesses.

Only shareholders of record at the close of business on March 2, 2012 may vote in person or by proxy at the annual general meeting or any adjournment or postponement thereof. You will need proof of ownership of our Class A common stock to enter the meeting. This proxy solicitation material is being mailed to shareholders on or about March 20, 2012 with a copy of Lazard s 2011 Annual Report, which includes financial statements for the period ended December 31, 2011 and the related independent auditor s report. Copies of Lazard s 2011 Annual Report will also be made available at the meeting.

Your vote is important. You may cast your vote by mail, telephone or over the Internet by following the instructions on your proxy card.

By order of the Board of Directors,

Scott D. Hoffman

Secretary

March 19, 2012

Table of Contents**Table of Contents**

| | Page |
|---|-------------|
| <u>General Information</u> | 1 |
| <u>Who Can Vote</u> | 1 |
| <u>Voting Your Proxy</u> | 1 |
| <u>How Proxies Work</u> | 1 |
| <u>Revoking Your Proxy</u> | 2 |
| <u>Quorum and Conduct of Meeting</u> | 2 |
| <u>Attendance at the Annual General Meeting</u> | 2 |
| <u>Information About Our Annual General Meeting and Solicitation of Proxies</u> | 2 |
| <u>Votes Needed</u> | 2 |
| <u>Important Notice Regarding the Availability of Proxy Materials for the Annual General Meeting of Shareholders to be held on April 24, 2012</u> | 3 |
| <u>Board Recommendation</u> | 3 |
| <u>Cost of this Proxy Solicitation</u> | 3 |
| <u>Multiple Shareholders Sharing Same Address</u> | 3 |
| <u>Item 1. Election of Directors</u> | 4 |
| <u>Information Regarding the Board of Directors and Corporate Governance</u> | 7 |
| <u>Chairman and Chief Executive Officer</u> | 7 |
| <u>Lead Director</u> | 8 |
| <u>Risk Oversight</u> | 8 |
| <u>Audit Committee</u> | 9 |
| <u>Compensation Committee</u> | 9 |
| <u>Nominating & Governance Committee</u> | 10 |
| <u>Attendance</u> | 10 |
| <u>Codes of Business Conduct and Ethics</u> | 10 |
| <u>Communications with the Board</u> | 11 |
| <u>Policy on Director Qualifications and Nomination Process</u> | 11 |
| <u>Agreement with Natixis</u> | 11 |
| <u>Director Independence</u> | 12 |
| <u>Director Compensation for 2011</u> | 12 |
| <u>Beneficial Owners of More Than Five Percent</u> | 16 |
| <u>Beneficial Ownership of Directors, Director Nominees and Executive Officers</u> | 17 |
| <u>Compensation Discussion and Analysis</u> | 18 |
| <u>Compensation Committee Report</u> | 37 |
| <u>Compensation of Executive Officers</u> | 38 |
| <u>Certain Relationships and Related Transactions</u> | 50 |
| <u>Audit Committee Report</u> | 59 |
| <u>Item 2. Ratification of Appointment of Independent Registered Public Accounting Firm</u> | 60 |
| <u>Item 3. An Advisory Vote Regarding Executive Compensation</u> | 62 |
| <u>Annex A Standards of Director Independence</u> | A-1 |

Table of Contents

Proxy Statement

General Information

Who Can Vote

Holders of our Class A and Class B common stock, as recorded in our share register at the close of business on March 2, 2012, the record date, may vote at the meeting and any adjournment or postponement thereof. As of March 5, 2012, there were 127,134,347 shares of Class A common stock outstanding (not including shares held by a subsidiary) and one share of Class B common stock outstanding.

On each matter to be voted upon, the Class A common stock and Class B common stock will vote together as a single class. As of the record date, each holder of Class A common stock is entitled to one vote per share and LAZ-MD Holdings LLC (LAZ-MD Holdings), as the holder of the share of Class B common stock, is entitled to 6,671,583 votes in respect of such share, or 5.2% of the voting power of our Company. With respect to matters raised at the 2012 annual general meeting, the members of LAZ-MD Holdings who are party to the LAZ-MD Holdings stockholders' agreement may individually direct LAZ-MD Holdings how to vote their proportionate interest in Lazard Ltd's Class B common stock. Prior to the meeting, LAZ-MD Holdings will hold a separate, preliminary vote of such members on the matters to be voted on at the meeting. For a more detailed description of the LAZ-MD Holdings stockholders' agreement, see Certain Relationships and Related Transactions LAZ-MD Holdings Stockholders' Agreement Voting Rights.

Voting Your Proxy

You may vote in person at the meeting or by proxy. We recommend you vote by proxy even if you plan to attend the meeting. You can always change your vote at the meeting. Most shareholders have a choice of proxy voting by using a toll free telephone number, voting through the Internet or, if they received their proxy materials by regular mail, completing the proxy card and mailing it in the postage-paid envelope provided. If you received your materials by regular mail, please refer to your proxy card or the information forwarded by your bank, broker or other holder of record to see which options are available to you. Executors, administrators, trustees, guardians, attorneys and other representatives voting on behalf of a shareholder should indicate the capacity in which they are signing, and corporations should vote by an authorized officer whose title should be indicated.

How Proxies Work

Lazard's Board of Directors (the Board) is asking for your proxy. Giving us your proxy means you authorize us to vote your shares at the meeting, or at any adjournment or postponement thereof, in the manner you direct. You may vote for all, some or none of our director nominees. You may also vote for or against the other proposals or abstain from voting. If you sign and return a proxy card or otherwise vote by telephone or the Internet but do not specify how to vote, we will vote your shares: FOR each of our director nominees; FOR ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2012; and FOR a non-binding advisory vote regarding executive compensation as disclosed in this proxy statement. The enclosed proxy also confers discretionary authority with respect to amendments or variations to the matters identified in the Notice of 2012 Annual General Meeting and with respect to other matters that may be properly brought before the annual general meeting and any adjournment or postponement thereof.

As of the date of this proxy statement, we do not know of any other business that will be presented at the meeting. If other business shall properly come before the meeting, including any proposal submitted by a shareholder that was omitted from this proxy statement in accordance with applicable federal securities laws, the persons named in the proxy will vote according to their best judgment.

Table of Contents

Revoking Your Proxy

You may revoke your proxy before it is voted by submitting a new proxy with a later date, by voting in person at the meeting or by sending written notification addressed to:

Lazard Ltd

30 Rockefeller Plaza

New York, New York 10020

Attn: Scott D. Hoffman

Secretary

Mere attendance at the meeting will not revoke a proxy that was previously submitted to us.

Quorum and Conduct of Meeting

In order to carry on the business of the meeting, we must have a quorum. This means that at least two shareholders must be present at the meeting, either in person or by proxy, and those shareholders must generally hold shares representing more than 50% of the votes that may be cast by all shareholders having the right to attend and vote at the meeting. The chairman of the annual general meeting has broad authority to conduct the annual general meeting so that the business of the meeting is carried out in an orderly and timely manner. In doing so, the chairman has broad discretion to establish reasonable rules for discussion, comments and questions during the meeting. The chairman also is entitled to rely upon applicable law regarding disruptions or disorderly conduct to ensure that the meeting is conducted in a manner that is fair to all participants.

Attendance at the Annual General Meeting

Only shareholders, their proxy holders and our guests may attend the meeting. Space is limited and admission to the meeting will be on a first-come, first-served basis. Verification of ownership will be requested at the admissions desk. If you are a holder of record and plan to attend the annual general meeting, please indicate this when you vote. When you arrive at the annual general meeting, you will be asked to present photo identification, such as a driver's license. If your shares are held in the name of your broker, bank or other nominee, you must bring to the meeting an account statement or letter from the nominee indicating that you were the beneficial owner of the shares on March 2, 2012, the record date for voting. If you want to vote your Class A common stock held in street name in person, you must get a written proxy in your name from the broker, bank or other nominee that holds your shares. If you wish to obtain directions to attend the meeting in person, you may send an e-mail to: investorrelations@lazard.com or call (212) 632-6637.

Information About Our Annual General Meeting and Solicitation of Proxies

Votes Needed

Directors are elected by a plurality of the votes cast. Plurality means that the individuals who receive the largest number of votes cast FOR are elected as directors up to the maximum number of directors to be chosen at the meeting. Votes withheld from any director nominee will not be counted in such nominee's favor. With respect to all other matters to be acted on at the meeting, including the ratification of the appointment of our independent auditors and a non-binding advisory vote regarding executive compensation as disclosed in this proxy statement, the affirmative vote of a majority of the combined voting power of all of the shares of our common stock present or represented and entitled to vote at the meeting is required.

Under our Bye-laws, and as permitted by Bermuda law, we treat abstentions as present and entitled to vote for purposes of determining a quorum, and, in accordance with our Bye-laws, they would be counted in the calculation for determining whether any proposal received a majority vote at the meeting. With regard to broker non-votes, we treat such shares as not being present. A broker non-vote is a proxy submitted by a broker in

Table of Contents

which the broker fails to vote on behalf of a client on a particular matter for lack of instruction when such instruction is required by the rules of the New York Stock Exchange (NYSE). Brokers may no longer use discretionary authority to vote broker non-votes on matters that are not considered routine. The vote in connection with the ratification of the appointment of our independent registered public accounting firm (Item 2) is considered routine. The vote in connection with the election of directors (Item 1) and the non-binding advisory vote regarding executive compensation as disclosed in this proxy statement (Item 3) are not considered routine matters.

Important Notice Regarding the Availability of Proxy Materials for the

Annual General Meeting of Shareholders to Be Held on April 24, 2012

This proxy statement and the 2011 Annual Report can be viewed on our website at www.lazard.com/investorrelations/sec-filings.aspx.

Most shareholders may elect to view future proxy statements and annual reports over the Internet instead of receiving paper copies in the mail. If you are a shareholder of record, you may choose this option by following the instructions provided when you vote over the Internet. If you hold your Class A common stock through a bank, broker or other holder of record, please refer to the information provided by that entity for instructions on how to elect to view our future proxy statements and annual reports over the Internet.

Board Recommendation

The Board of Directors recommends that you vote FOR each of our director nominees; FOR ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2012; and FOR a non-binding advisory vote regarding executive compensation as disclosed in this proxy statement.

Cost of this Proxy Solicitation

We pay the expenses of preparing the proxy materials and soliciting this proxy. We also reimburse brokers and other nominees for their expenses in sending these materials to you and obtaining your voting instructions. In addition to this mailing, proxies may be solicited personally, electronically or by telephone by our directors, officers, other employees or our agents. If any of our directors, officers and other employees assist in soliciting proxies, they will not receive additional compensation for those services.

Multiple Shareholders Sharing Same Address

If you and other residents at your mailing address with the same last name own shares of Class A common stock through a bank or broker, your bank or broker may have sent you a notice that your household will receive only one annual report and proxy statement for each company in which the members of your household hold stock through that bank or broker. This practice of sending only one copy of proxy materials to holders residing at a single address is known as householding, and was authorized by the Securities and Exchange Commission (SEC) to allow multiple investors residing at the same address the convenience of receiving a single copy of annual reports, proxy statements and other disclosure documents if they consent to do so. If you did not respond that you did not want to participate in householding, you were deemed to have consented to the process. If you did not receive a householding notice from your bank or broker, you can request householding by contacting that entity. You may revoke your consent to householding at any time by calling 1-800-542-1061.

If you wish to receive a separate paper copy of this proxy statement or the 2011 Annual Report, you may send an e-mail to: investorrelations@lazard.com or write to:

Lazard Ltd

30 Rockefeller Plaza

New York, New York 10020

Attn: Investor Relations

Table of Contents

ITEM 1

ELECTION OF DIRECTORS

Our Board of Directors is divided into three classes. Members of each class serve for a three-year term. Shareholders elect one class of directors at each annual general meeting. At this annual general meeting, shareholders will vote on the election of the four nominees described below for a term ending at the 2015 annual general meeting.

The following section contains information provided by the nominees and continuing directors about their principal occupation, business experience and other matters. Each of the nominees is a current director of Lazard. Each nominee has indicated to us that he or she will serve if elected. We do not anticipate that any nominee will be unable or unwilling to stand for election, but if that happens, your proxy may be voted for another person nominated by the Board.

The Board of Directors recommends a vote **FOR** the election of each nominee listed below.

Nominees for Election as Directors

For a Three-Year Term Expiring in 2015

Ashish Bhutani, age 51, has served as a director of Lazard Ltd and Lazard Group since March 2010. Mr. Bhutani is a Vice Chairman and a Managing Director of Lazard and has been the Chief Executive Officer of Lazard Asset Management (LAM) since March 2004. Mr. Bhutani previously served as Head of New Products and Strategic Planning from June 2003 to March 2004. Prior to joining Lazard, he was Co-Chief Executive Officer North America of Dresdner Kleinwort Wasserstein from 2001 to the end of 2002, and was a member of its Global Corporate and Markets Board, and a member of its Global Executive Committee. Mr. Bhutani worked at Wasserstein Perella Group (the predecessor to Dresdner Kleinwort Wasserstein) from 1989 to 2001, serving as Deputy Chairman of Wasserstein Perella Group and Chief Executive Officer of Wasserstein Perella Securities from 1994 to 2001. Mr. Bhutani began his career at Salomon Brothers in 1985, where he was a Vice President in Fixed Income. Mr. Bhutani is a member of the Board of Directors of four registered investment companies, which are part of the Lazard fund complex. Mr. Bhutani was selected to be a director of the Company because of his extensive background, experience and knowledge of the asset management industry, his role within the firm as Chief Executive Officer of LAM and Mr. Jacobs and the Board's desire that Mr. Bhutani become a regular contributor to the Board's deliberations.

Steven J. Heyer, age 59, has served as a director of Lazard Ltd and Lazard Group since June 2005 and was appointed Lead Director in November 2009. Mr. Heyer is currently the founder and Chief Executive Officer of Avra Kehdabra LLC, a feature animation company, Chairman of Next 3D, a software company, and an investor in and Vice Chairman of Vitruve, a social networking company. From February 2010 until March 2011, Mr. Heyer served as Chairman and CEO of Harry & David Holdings, Inc., a company that was in financial distress at the time of his appointment and that filed for bankruptcy protection in March 2011. Mr. Heyer resigned as CEO prior to the company's bankruptcy filing but remained as Chairman to provide guidance and leadership through the bankruptcy proceedings. The company emerged from bankruptcy in September 2011, and Mr. Heyer resigned as Chairman at that time. Mr. Heyer was the Chief Executive Officer of Starwood Hotels & Resorts Worldwide from October 2004 until April 2007. Prior to joining Starwood, he was President and Chief Operating Officer of The Coca-Cola Company from 2002 to September 2004. From 1994 to 2001 he was President and Chief Operating Officer of Turner Broadcasting System, Inc., and a member of AOL Time Warner's Operating Committee. Previously, Mr. Heyer was President and Chief Operating Officer of Young & Rubicam Advertising Worldwide, and before that spent 15 years at Booz Allen & Hamilton, ultimately becoming Senior Vice President and Managing Partner. He is a member of the Board of Directors of Omnicare, Inc. and the National Collegiate Athletic Association. Mr. Heyer has ownership positions in a portfolio of private companies

Table of Contents

and is a member of many of their boards of directors. Mr. Heyer is the Chairman of the Compensation Committee and a member of the Audit Committee and the Nominating & Governance Committee of our Board of Directors. Mr. Heyer was selected to be a director of the Company because of the depth of his analytical skills, which he has applied in a variety of leadership positions across diverse industry groups, including broadcast media, consumer products, and hotel and leisure companies.

Sylvia Jay, CBE, age 65, has served as a director of Lazard Ltd and Lazard Group since March 2006. Lady Jay is Chairman of L Oreal UK, a position she has held since June 2011. From September 2005 until June 2011 she was Vice Chairman of L Oreal UK. From January 2001 to August 2005, she was the Director General of the Food & Drink Federation, a UK trade body. Lady Jay joined the United Kingdom Civil Service in 1971. Her civil service career, until she resigned in 1995, mainly concerned government financial aid to developing countries, including being a non-executive director of the Gibraltar Ship Repair Company. She also worked in the Civil Service Selection Board to recruit fast stream administrators and diplomats; the French Ministère de la Coopération; the French Trésor and was one of a small international team which set up the European Bank for Reconstruction and Development. Lady Jay is a member of the Board of Directors of Saint-Gobain and Alcatel-Lucent, and was Chairman of Food from Britain from 2005 until 2009. Lady Jay is a member of the Compensation Committee and the Nominating & Governance Committee of our Board of Directors. Lady Jay was selected to be a director of the Company because of her extensive background and experience in government service and the Board's desire to add geographical diversity that reflects the Company's client base in Europe.

Vernon E. Jordan, Jr., age 76, has served as a director of Lazard Ltd and Lazard Group since May 2005. Mr. Jordan has served as a Senior Managing Director of Lazard Frères & Co. LLC since January 2000. Mr. Jordan has been Senior Counsel at Akin Gump Strauss Hauer & Feld LLP since January 2000, where he served as Senior Executive Partner from January 1982 to December 1999. Prior to that, Mr. Jordan served as President and Chief Executive Officer of the National Urban League, Inc. from January 1972 to December 1981. Mr. Jordan currently serves on the Board of Directors of Asbury Automotive Group, Inc.; as a senior advisor to the Board of Directors of American Express Company and Xerox Corporation; as a trustee to Howard University and DePauw University; and on the International Advisory Board of Barrick Gold. Mr. Jordan had previously served on the Board of Directors of Xerox Corporation until May 2009; the American Express Company until May 2008; J.C. Penney Company until August 2007; and Sara Lee Corporation until May 2005. Mr. Jordan was selected to be a director of the Company because of his extensive background and expertise in legal and corporate matters, his knowledge of corporate governance and his experience as a board member of numerous public companies.

Directors Continuing in Office***(Term Expiring in 2013)***

Laurent Mignon, age 48, has served as a director of Lazard Ltd and Lazard Group since July 2010. Mr. Mignon has served as Chief Executive Officer of Natixis (the successor to IXIS Corporate & Investment Bank) since May 2010. From September 2007 to May 2010, he was General Partner of Oddo & Cie, a private French investment bank. Prior to joining Oddo & Cie, Mr. Mignon was the Chief Executive Officer of AGF France. He joined AGF France in 1997 as Chief Financial Officer and was nominated to be a member of the Executive Committee in 1998. Prior to joining the AGF Group, Mr. Mignon held a variety of positions in banking over a ten-year period, ranging from trading to investment banking. Mr. Mignon is a member of the Board of Directors of Sequana, and a member of the Board of Directors and of the Audit Committee of Arkema. Mr. Mignon was selected to be a director of the Company pursuant to an agreement that Lazard entered into with Natixis at the time of Lazard Ltd's equity public offering in 2005. See Agreement with Natixis.

Gary W. Parr, age 55, has served as a director of Lazard Ltd and Lazard Group since March 2010. Mr. Parr is a Vice Chairman and a Managing Director of Lazard, having previously served as Deputy Chairman of Lazard from April 2003 until November 2009. For 30 years, he has focused on providing strategic advice to financial

Table of Contents

institutions worldwide. Prior to joining Lazard, Mr. Parr was with Morgan Stanley, serving in numerous capacities including Vice Chairman of Institutional Securities and Investment Banking, Chairman and Head of the Global Financial Institutions Group and Co-Head of the Global Mergers and Acquisitions Department. Prior to joining Morgan Stanley, Mr. Parr was with a group from The First Boston Corporation that formed Wasserstein Perella & Co., where he rose to become Co-President. Mr. Parr serves as the Chairman of the Board of Directors of the New York Philharmonic and the Parr Center for Ethics at the University of North Carolina. Mr. Parr was selected to be a director of the Company because of his extensive background, experience and knowledge of the financial services industry, his reputation among clients and Mr. Jacobs and the Board of Directors desire that Mr. Parr become a regular contributor to the Board of Directors deliberations.

Hal S. Scott, age 68, has served as a director of Lazard Ltd and Lazard Group since March 2006. Professor Scott is the Nomura Professor and Director of the Program on International Financial Systems at Harvard Law School, where he has taught since 1975. Before joining Harvard he served as a Law Clerk for the Hon. Justice Byron R. White, U.S. Supreme Court, from 1973 to 1974, and as an Assistant Professor of Law, University of California at Berkeley from 1974 to 1975. Professor Scott has published numerous books and articles on finance, international trade and securities laws. He is the President of the Committee on Capital Markets Regulation, Inc. and a member of the Senior Advisory Board of Oliver Wyman. Professor Scott is a past President of the International Academy of Consumer and Commercial Law and a past Governor of the American Stock Exchange (2002-2005). Professor Scott is the Chairman of the Nominating & Governance Committee and a member of the Audit Committee of our Board of Directors. Professor Scott was selected to be a director of the Company because of his impressive academic background and expertise in public policy and global financial market regulation as it affects the financial services industry.

Directors Continuing in Office

(Term Expiring in 2014)

Kenneth M. Jacobs, age 53, has served as Chairman of the Board of Directors and Chief Executive Officer of Lazard Ltd and Lazard Group since November 2009. Mr. Jacobs has served as a Managing Director of Lazard since 1991 and had been a Deputy Chairman of Lazard from January 2002 until November 2009. Mr. Jacobs also served as Chief Executive Officer of Lazard North America from January 2002 until November 2009. Mr. Jacobs initially joined Lazard in 1988. Mr. Jacobs is a member of the Board of Trustees of the University of Chicago and the Brookings Institution. Mr. Jacobs was selected to be the Chairman and Chief Executive Officer of Lazard because of his vision, intellect and dynamism, his proven track record of creativity in building new businesses, as well as his skills as a trusted advisor, collaborator and team leader.

Philip A. Laskawy, age 70, has served as a director of Lazard Ltd and Lazard Group since July 2008. Mr. Laskawy served as Chairman and Chief Executive Officer of Ernst & Young from 1994 until his retirement in 2001, after 40 years of service with the professional services firm. Mr. Laskawy served as Chairman of the International Accounting Standards Board from 2006 to 2007, and as a member of the 1999 Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees. Mr. Laskawy has served as Chairman of Fannie Mae since September 2008 and is also a member of the board of directors of General Motors Corp., Capgemini, Loews Corp. and Henry Schein, Inc. Mr. Laskawy had previously served on the boards of directors of Discover Financial Services until September 2008 and The Progressive Corporation until December 2007. Mr. Laskawy is the Chairman of the Audit Committee of our Board of Directors. Mr. Laskawy was selected to be a director of the Company because of his expertise in the areas of auditing and accounting, his qualifications as an audit committee financial expert and the unique perspective he brings as a former chief executive of one of the big four accounting firms.

Michael J. Turner, CBE, age 63, has served as a director of Lazard Ltd and Lazard Group since March 2006. In November 2008, Mr. Turner was appointed the non-executive Chairman of Babcock International Group PLC. Mr. Turner was the Chief Executive Officer of BAE Systems plc from March 2002 until August 2008. Mr. Turner joined BAE Systems in 1966 and held a number of commercial, marketing and general

Table of Contents

management positions, including Chief Operating Officer from 1999 to March 2002. Mr. Turner is Senior Independent Director of GKN PLC. Mr. Turner is a member of the Compensation Committee and the Nominating & Governance Committee of our Board of Directors. Mr. Turner was selected to be a director of the Company because of his extensive background, experience and leadership as a former chief executive in the aerospace and defense industry and the Board of Directors' desire to add geographical diversity to its membership that reflects the Company's client base in Europe.

Information Regarding the Board of Directors and Corporate Governance

Lazard is governed by a Board of Directors and various committees of the Board that meet throughout the year. Our Board has established three standing committees: the Audit Committee, the Nominating & Governance Committee and the Compensation Committee. Each of the standing committees has adopted and operates under a written charter, all of which are available on our website at http://www.lazard.com/InvestorRelations/Corporate_Governance.aspx. Other corporate governance documents also are available on our website, including our Corporate Governance Guidelines and our Code of Business Conduct and Ethics. A copy of each of these documents is available to any shareholder upon request.

There were six meetings of the Board of Directors in 2011. The non-executive directors of the Board met in executive session four times in 2011. Each meeting of non-executive directors was presided over by Steven J. Heyer, the Company's Lead Director.

Chairman and Chief Executive Officer

Mr. Kenneth M. Jacobs has served as Chairman of the Board of Directors and Chief Executive Officer (CEO) of the Company since November 16, 2009. The Board unanimously selected Mr. Jacobs to serve as Chairman and CEO after a careful and thorough selection process. As part of the selection process, the Board carefully considered a variety of governance arrangements, including the separation of the roles of Chairman and CEO.

The Board believes that the Company and its shareholders are best served by maintaining the flexibility to have either the same individual serve as Chairman and CEO or to separate those positions based on what is in the best interests of the Company and its shareholders at a given point in time. The Board believes that the members of the Board possess considerable experience, breadth of skills and unique knowledge of the challenges and the opportunities the Company faces and that it is best positioned to identify the person who has the skill and commitment to be an effective Chairman.

At the present time, the Board, in its business judgment, determined that the most effective leadership structure for the Company is for Mr. Jacobs to serve as both Chairman and CEO. In making its decision, the Board considered, among other things, the composition of the Board, the role of the Lead Director, the Company's strong governance practices, the CEO's working relationship with the Board and the challenges facing Lazard. Mr. Jacobs' combined role as Chairman and CEO promotes unified leadership, vision and direction for the Board and the Company, and it allows for a single clear focus for the chain of command to execute the Company's goals, strategies, objectives and business plans.

The Board believes there is no single best organizational model that is the most effective in all circumstances, and the Board retains the authority to separate the positions of Chairman and CEO if it deems it appropriate in the future.

Table of Contents

Lead Director

Steven J. Heyer was appointed as the Lead Director for the Board, effective November 14, 2009. Mr. Heyer is a strong, independent and active Lead Director with clearly defined leadership authority and responsibilities. The responsibilities and duties of the Lead Director include the following:

presiding at meetings of the Board in the absence of the Chairman, including the executive sessions of the non-management members of the Board, and providing feedback to the CEO, other senior executives and key managing directors, as appropriate, from such executive sessions of the non-management directors;

for the purpose of facilitating timely communication, serving as a liaison between (1) the non-management directors (including committee chairpersons) and (2) the CEO, other senior executives and, in consultation with the CEO, key managing directors regarding significant matters (without impeding or replacing direct communication between the CEO and other directors or between or among other directors);

with input from the other non-management directors, (1) reviewing Board meeting schedules and the agendas for such meetings with the CEO and (2) calling meetings of the non-management directors and setting the agendas in connection with such meetings;

reviewing information to be sent to the Board in advance of Board meetings;

together with the Board, providing oversight and advice to the CEO regarding corporate strategy, direction and implementation of initiatives;

in consultation with the CEO, identifying and supporting talent within the Company;

being available for consultation or direct communication with significant shareholders;

together with the Compensation Committee, conducting periodic performance appraisals of the CEO;

coordinating the activities of the chairpersons of Board committees; and

performing such other duties as the Board may from time to time delegate to the Lead Director.

In addition to his role as Lead Director, Mr. Heyer serves as the chairman of the Compensation Committee and is a member of the Audit Committee and the Nominating & Governance Committee.

The Board believes Mr. Jacobs serving as Chairman and CEO and Mr. Heyer serving as a separate Lead Director provides the best form of leadership for the Company at the present time and offers an appropriate balance between the roles and provides a satisfactory counterbalance to the combined role of Chairman and CEO.

Risk Oversight

Edgar Filing: Lazard Ltd - Form DEF 14A

Management within each of Lazard's operating locations is principally responsible for managing the risks within its respective business on a day-to-day basis. The Board, working together with the Audit Committee, undertakes a comprehensive review of the Company's risk profile and risk management strategies at regular intervals. Members of the Company's finance team, led by the Chief Financial Officer, review with the Audit Committee the categories of risk the Company faces, including any risk concentrations, risk interrelationships and financial risk exposures, as well as the likelihood of occurrence, the potential impact of those risks and the steps management has taken to monitor, mitigate and control such exposures. Special presentations on risk are made to the full Board at least annually. Updates on risks deemed material to the Company are reviewed at each regular meeting of the Audit Committee and reported to the full Board. In addition, the Compensation Committee reviews compensation programs for consistency and alignment with Lazard's strategic goals, and in connection therewith reviews Lazard's compensation practices to assess the risk that they will have a material adverse effect on the Company.

Table of Contents

Audit Committee

Philip A. Laskawy (Chair), Steven J. Heyer and Hal S. Scott

The Audit Committee met five times in 2011. The Audit Committee assists our Board of Directors in fulfilling its oversight responsibilities with respect to:

monitoring the integrity of our financial statements;

assessing the qualifications, independence and performance of our independent auditors;

evaluating the performance of our internal audit function;

reviewing the Company's major financial risk exposures and the steps taken to monitor and control such exposures; and

ensuring compliance by us with certain legal and regulatory requirements.

A detailed list of the Audit Committee's functions is included in its charter, which is available on our website at http://www.lazard.com/Investorrelations/Audit_Committee_Charter.aspx.

The Audit Committee also selects and oversees Lazard's independent auditors, and pre-approves all services to be performed by the independent auditors pursuant to the Audit Committee pre-approval policy. All members of the Audit Committee are independent as required by Lazard and the listing standards of the NYSE. All members of the Audit Committee are financially literate, as determined by the Board of Directors. The Board of Directors has determined that Mr. Laskawy has the requisite qualifications to satisfy the SEC definition of audit committee financial expert and that Mr. Laskawy's simultaneous service on the audit committees of four public companies, in addition to our Audit Committee, does not impair his ability to effectively serve on our Audit Committee.

Compensation Committee

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

The Compensation Committee met ten times in 2011. The Compensation Committee assists the Board of Directors by overseeing our compensation plans, policies and programs and has full authority to:

determine and approve the compensation of our Chief Executive Officer;

review and approve the recommendations of the Chief Executive Officer with respect to compensation of our other executive officers;

receive reports on our compensation programs as they affect all managing directors and employees; and

administer the 2005 Equity Incentive Plan, the 2005 Bonus Plan and the 2008 Incentive Compensation Plan.

Edgar Filing: Lazard Ltd - Form DEF 14A

A detailed list of the Compensation Committee's functions is included in its charter, which is available on our website at http://www.lazard.com/Investorrelations/Comp_Comm_Charter.aspx. All members of the Compensation Committee are independent as required by Lazard and the listing standards of the NYSE.

From time to time the Compensation Committee has established special equity award pools pursuant to the 2005 Equity Incentive Plan and the 2008 Incentive Compensation Plan for the express purpose of granting awards to new hires and, under certain circumstances, retention awards to key employees (other than the named executive officers in the Summary Compensation Table). The Compensation Committee granted to our Chief Executive Officer (or his designee) authority to determine the amount, terms and conditions of all awards made from these pools and required that the Compensation Committee be updated on all such awards at its next scheduled meeting.

Table of Contents

The Compensation Committee directly engaged Hay Group, Inc., a global independent compensation consulting firm, to assist it with various compensation analyses, as well as to provide consulting on executive compensation practices and determinations, including information on equity-based award design. The chairman of the Nominating & Governance Committee, at the invitation of the Compensation Committee, participates in year-end discussions concerning the compensation of our Chief Executive Officer. From time to time, Kenneth M. Jacobs, our Chief Executive Officer, will attend meetings of the Compensation Committee and express his views on the Company's overall compensation philosophy. Following year-end, Mr. Jacobs makes recommendations to the Compensation Committee as to the total compensation package (salary, bonus and equity-based awards) to be paid to each of the other named executive officers in the Summary Compensation Table. Alexander F. Stern, our Chief Operating Officer, serves as management's main liaison with the Compensation Committee and assists the chairman of the Compensation Committee in setting the annual agenda and gathering the requested supporting material for each Compensation Committee meeting. Scott D. Hoffman, our General Counsel, serves as secretary to the Compensation Committee.

Nominating & Governance Committee

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

The Nominating & Governance Committee met four times in 2011. The Nominating & Governance Committee assists our Board of Directors in promoting sound corporate governance principles and practices by:

identifying individuals qualified to become Board members, consistent with criteria approved by the Board;

recommending to the Board the director nominees for the next annual general meeting of shareholders;

reviewing and reassessing the adequacy of the Corporate Governance Guidelines;

leading the Board in an annual review of its own performance; and

recommending to the Board director nominees for each committee of the Board.

A detailed list of the Nominating & Governance Committee's functions is included in its charter, which is available on our website at http://www.lazard.com/Investorrelations/Nom_Gov_Comm_Charter.aspx.

The Nominating & Governance Committee also is responsible for recommending to the Board of Directors standards regarding the independence of outside directors and reviewing such standards on a regular basis to confirm that such standards remain consistent with sound corporate governance practices and with any legal, regulatory or NYSE requirements. All members of the Nominating & Governance Committee are independent as required by Lazard and the listing standards of the NYSE.

Attendance

The average attendance by directors at meetings of the Board and its committees was approximately 94% in 2011. The Board met six times in 2011 and all current directors attended at least 75% of the meetings of the Board and committees on which they served, except Mr. Mignon. In 2011, nine of our ten directors then in office attended the annual general meeting of shareholders.

Codes of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics that is applicable to all directors, managing directors, officers and employees of Lazard and its subsidiaries and affiliates. We have also adopted a Supplement to the Code of Business Conduct and Ethics for certain other senior officers, including our Chief Executive Officer, Chief Financial Officer and principal accounting officer. Each of these codes is available on our website at <http://www.lazard.com/Investorrelations/CodeandEthics.aspx>. A print copy of each of these documents is available to any shareholder upon request. We intend to disclose amendments to, or waivers from, the Code of Business Conduct and Ethics, if any, on our website.

Table of Contents

Communications with the Board

Anyone who wishes to send a communication to our non-executive directors as a group may do so by mail at the address listed below, and by marking the envelope, Attn: Non-Executive Directors of the Lazard Ltd Board of Directors.

Lazard Ltd

30 Rockefeller Plaza

New York, NY 10020

The Lazard Ltd Board of Directors

c/o the General Counsel

These procedures are also posted on our website at http://www.lazard.com/Investorrelations/Comm_NonMgmt_Dir.aspx.

Policy on Director Qualifications and Nomination Process

The Board's Nominating & Governance Committee is responsible for evaluating and recommending to the Board proposed nominees for election to the Board of Directors. As part of its process, the Nominating & Governance Committee will consider director candidates recommended for consideration by members of the Board, by management and by shareholders. It is the policy of the Nominating & Governance Committee to consider candidates recommended by shareholders in the same manner as other candidates. Candidates for the Board of Directors must be experienced, dedicated and meet the highest standards of ethics and integrity. All directors represent the interests of all shareholders, not just the interests of any particular shareholder, shareholder group or other constituency. The Nominating & Governance Committee periodically reviews with the Board the requisite skills and characteristics for new directors, taking into account the needs of Lazard and the composition of the Board as a whole. A majority of our directors must satisfy the independence requirements of both Lazard and the NYSE. Likewise, each member of the Audit Committee must be financially literate and at least one member must possess the requisite qualifications to satisfy the SEC definition of audit committee financial expert. Once a candidate is identified, the Nominating & Governance Committee will consider the candidate's mix of skills and experience with businesses and other organizations of comparable size, as well as his or her reputation, background and time availability (in light of anticipated needs). The Nominating & Governance Committee also will consider the interplay of the candidate's experience with the experience of other Board members, the extent to which the candidate would be a desirable addition to the Board and any committees of the Board and any other factors it deems appropriate, including, among other things, diversity. The Nominating & Governance Committee views diversity broadly, encompassing differing viewpoints, professional experience, industry background, education, geographical orientation and particular skill sets, as well as race and gender. Shareholders wishing to recommend to the Nominating & Governance Committee a candidate for director at our 2013 Annual General Meeting of Shareholders may do so by submitting in writing such candidate's name, in compliance with the procedures of our Bye-laws, and along with the other information required by our Bye-laws, to the Secretary of our Board of Directors at: Lazard Ltd, Office of the Secretary, 30 Rockefeller Plaza, 62nd Floor, New York, New York 10020 between December 25, 2012 and January 24, 2013.

Agreements with Natixis

As of March 5, 2012, Natixis (the successor to IXIS Corporate & Investment Bank) held 6,999,800 shares of our Class A common stock, of which 2,000,000 shares of our Class A common stock were acquired in our recapitalization transactions in May 2005 and 4,999,800 shares were acquired in May 2008 upon the settlement of the purchase contracts related to \$150 million of Lazard's equity security units (which equity security units were also acquired in our recapitalization transactions in May 2005). In connection with this investment by Natixis in May 2005, we agreed to nominate one person designated by Natixis to our Board of Directors until such time as (1) the shares of our common stock then owned by Natixis, plus (2) the shares of our common stock

Table of Contents

issuable under the terms of any exchangeable securities issued by us then owned by Natixis, constitute less than 50% of the sum of (a) the shares of our common stock initially purchased by Natixis, plus (b) the shares of our common stock issuable under the terms of any exchangeable securities issued by us initially purchased by Natixis. Laurent Mignon is currently the Natixis nominee to our Board of Directors.

Director Independence

Pursuant to the corporate governance listing standards of the NYSE, the Board of Directors has adopted standards for determining whether directors have material relationships with Lazard. The standards are set forth on Annex A to this proxy statement. Under these standards, a director employed by Lazard cannot be deemed to be an independent director, and consequently Messrs. Jacobs, Bhutani, Jordan and Parr are not independent directors of Lazard.

The Board has determined that Messrs. Heyer, Laskawy, Scott and Turner and Lady Jay do not have a material relationship with Lazard under the Board's standards for independence and accordingly each is independent under the NYSE corporate governance listing standards. In making its independence determinations, the Board considered financial advisory engagements of Lazard in 2011, 2010 and 2009 by L'Oréal USA, Inc., a sister company of L'Oréal UK. Lady Jay is Chairman of L'Oréal UK, but is not an executive officer of L'Oréal USA. Lazard provided financial advisory services in the ordinary course of business to L'Oréal USA pursuant to these engagements, and the engagements were deemed per se immaterial pursuant to Lazard's Standards of Director Independence.

The Board also determined that Mr. Mignon was independent, after giving careful consideration to the relationship between Lazard and Natixis, of which Mr. Mignon is the Chief Executive Officer. Natixis is the successor entity in a merger with IXIS Corporate & Investment Bank, which participated as an investor in the recapitalization transactions in May 2005, purchasing \$150 million of our equity security units and 2,000,000 shares of our Class A common stock at the equity public offering price of \$25 per share. In May 2008, Natixis acquired 4,999,800 additional shares of our Class A common stock upon the settlement of the purchase contracts comprising a portion of our equity security units. In connection with the original investment by Natixis in May 2005, Lazard agreed to nominate one person designated by Natixis to our Board of Directors, currently Mr. Mignon. Lazard also has a cooperation arrangement with Natixis in France. The cooperation arrangement provides that Lazard Group and Natixis will place and underwrite securities on the French equity primary capital markets under a common brand,

Lazard-Natixis, and cooperate in their respective origination, syndication and placement activities. In 2011, the cooperation arrangement generated approximately \$2.5 million of gross revenue for Natixis and \$2.1 million of gross revenue for Lazard. We also received financial advisory fees in 2011, 2010 and 2009 of \$4.3 million, \$2.5 million and \$2.1 million, respectively, with respect to transactions involving Natixis. The Board determined, in its business judgment, that these relationships were not material, noting that 2011 gross revenue generated pursuant to the cooperation arrangement and other transactions referenced above was less than 1% of Lazard's gross revenue for 2011 and less than 1% of the annual gross revenue of Natixis for 2011. See Agreement with Natixis and Certain Relationships with Our Directors, Executive Officers and Employees.

Director Compensation for 2011

Directors who are officers of the Company do not receive any fees for their service as directors. In 2011, our directors' compensation program provided that each of our non-employee directors would receive an annual cash retainer of \$119,250 and an annual award of deferred stock units (DSUs) with a grant date value of \$145,750. An additional annual retainer was paid to the Lead Director and the chairs of each committee of our Board of Directors as follows: the Lead Director, \$40,000; the chair of the Audit Committee, \$30,000; the chair of the Nominating & Governance Committee, \$20,000; and the chair of the Compensation Committee, \$20,000; which, in each case, was paid 45% in cash and 55% in DSUs. The other members of the Audit Committee were paid an additional annual retainer of \$20,000, and the other members of the Nominating & Governance Committee and

Table of Contents

the Compensation Committee were paid an additional annual retainer of \$15,000, which, in each case, was paid 45% in cash and 55% in DSUs. Cash compensation is paid out on a quarterly basis (on February 15th, May 15th, August 15th and November 15th), and the DSU awards described above are granted on an annual basis on June 1st of each year, except for initial pro-rated grants made to new directors upon their joining the Board of Directors. The number of DSUs granted is determined based on the closing price of our Class A common stock on the NYSE on the date of grant.

Non-employee directors may elect to receive additional DSUs in lieu of some or all of their cash compensation pursuant to the Directors Fee Deferral Unit Plan, which was approved by the Board of Directors on May 9, 2006. DSUs awarded under this plan are granted on the same quarterly payment dates as cash compensation would have been received, and the number of DSUs is determined based on the closing price of our Class A common stock on the NYSE on the date of grant.

All DSUs awarded under these arrangements are converted to our Class A common stock on a one-for-one basis and distributed to the director after he or she resigns or otherwise ceases to be a member of the Board of Directors. All DSUs receive dividend equivalents, which are paid in cash, at the same rate and time that dividends are paid on shares of our Class A common stock.

The Nominating & Governance Committee periodically reviews director compensation and receives advice from Hay Group with respect to director compensation, including an analysis prepared by Hay Group in February 2011.

On February 23, 2012, based on the recommendation of the Nominating & Governance Committee, the Board of Directors approved a \$10,000 increase in the additional annual retainer payable to our Lead Director.

| Directors | Fees Earned or Paid in Cash | Stock Awards (1) | All Other Compensation (2) | Total |
|------------------------|-----------------------------|------------------|----------------------------|------------|
| Ronald J. Doerfler (3) | \$ 53,244 | | \$ 4,594 | \$ 57,838 |
| Steven J. Heyer (4) | | \$ 350,530 | \$ 22,684 | \$ 373,214 |
| Sylvia Jay | \$ 126,625 | \$ 162,286 | \$ 11,344 | \$ 300,255 |
| Philip A. Laskawy | \$ 124,375 | \$ 162,807 | \$ 8,442 | \$ 295,624 |
| Laurent Mignon (4) | | \$ 258,983 | \$ 8,355 | \$ 267,338 |
| Hal S. Scott | \$ 131,125 | \$ 167,758 | \$ 11,853 | \$ 310,736 |
| Michael J. Turner | \$ 126,625 | \$ 162,286 | \$ 11,344 | \$ 300,255 |

- (1) The value of the DSUs reported in the table above is based on the grant date fair value of awards computed in accordance with FASB ASC Topic 718. See Note 16 of Notes to the Consolidated Financial Statements of our 2011 Annual Report on Form 10-K for a discussion of the assumptions used in the valuation of the DSUs. The number and grant date fair value of DSUs granted on June 1, 2011 under FASB ASC Topic 718 (based on the closing price of Lazard Ltd Class A common stock on the NYSE at the time of the grant) were as follows: Mr. Heyer, 5,347, valued at \$199,069; Lady Jay, 4,359, valued at \$162,286; Mr. Laskawy, 4,373, valued at \$162,807; Mr. Mignon, 3,915, valued at \$145,755; Mr. Scott, 4,506, valued at \$167,758; and Mr. Turner, 4,359, valued at \$162,286. The total number of DSUs held by each of our non-employee directors as of December 31, 2011 was as follows: Mr. Heyer, 43,260; Lady Jay, 20,804; Mr. Laskawy, 16,014; Mr. Mignon, 18,064; Mr. Scott, 21,714; and Mr. Turner, 20,804.
- (2) Represents cash dividends paid on the DSUs held by each of the directors listed in the table.
- (3) Mr. Doerfler, who served on our Board of Directors since June 2006, retired from the Board of Directors following the expiration of his term at the 2011 Annual General Meeting of Shareholders.
- (4) Messrs. Heyer and Mignon elected to defer their quarterly cash compensation into additional DSUs, pursuant to the terms of the Directors Fee Deferral Unit Plan. The number and grant date fair value of the resulting DSUs granted in lieu of cash (based on the closing price of Lazard Ltd's Class A common stock on the NYSE on the applicable grant dates) were as follows: Mr. Heyer, 4,689, valued at \$151,461; and Mr. Mignon, 3,495, valued at \$113,227.

Table of Contents

Vernon E. Jordan, Jr. is a member of our Board of Directors and is a Senior Managing Director of the Company. Gary W. Parr is also a member of our Board of Directors and is a Vice Chairman of the Company. Neither Mr. Jordan nor Mr. Parr is an executive officer of the Company, as that term is defined in the rules and regulations promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act). Accordingly, Messrs. Jordan and Parr cannot be named executive officers for purposes of the Summary Compensation Table below, and are therefore not included in such table. Messrs. Jordan and Parr did not receive any fees for their service as members of the Board of Directors of the Company in 2011. In connection with our recapitalization in May 2005, each of Messrs. Jordan and Parr entered into retention agreements, as amended from time to time, consistent with the form applicable to our pre-IPO managing directors generally.

The following table shows the base salary and incentive compensation paid to Messrs. Jordan and Parr for their performance in 2011 in the manner it was considered by the Compensation Committee.

| | Year | Salary | Incentive Compensation | | Total Compensation |
|-----------------------|------|------------|------------------------|-------------------------------|--------------------|
| | | | Annual Cash Bonus | RSU or Restricted Stock Award | |
| Vernon E. Jordan, Jr. | 2011 | \$ 500,000 | \$ 620,000 | \$ 1,030,000 | \$ 2,150,000 |
| Gary W. Parr | 2011 | \$ 750,000 | \$ 2,750,000 | \$ 4,000,000 | \$ 7,500,000 |

This presentation differs from the presentation in the table below in the following respects by: (i) including the full grant date value of the RSUs and restricted stock awards granted on February 10, 2012, which related to 2011 performance but are not reflected in the table below because they were granted after the end of our 2011 fiscal year and (ii) excluding the full grant date value of the RSUs and restricted stock awards granted on February 10, 2011, which are included in the table below but related to 2010 performance. In addition, the All Other Compensation column has been omitted, because it is not tied to the performance of Messrs. Jordan and Parr for 2011.

The following table sets forth the compensation for each of Messrs. Jordan and Parr for 2011 as required under SEC rules for director compensation disclosure.

| Name and Principal Position | Year | Salary | Bonus | Stock Awards (1) | All Other Compensation (2) | Total |
|--|------|------------|--------------|------------------|----------------------------|--------------|
| Vernon E. Jordan, Jr. <i>Senior Managing Director</i> | 2011 | \$ 500,000 | \$ 620,000 | \$ 1,270,000 | \$ 523,650 | \$ 2,913,650 |
| Gary W. Parr <i>Vice Chairman</i> | 2011 | \$ 750,000 | \$ 2,750,000 | \$ 5,000,000 | \$ 21,153 | \$ 8,521,153 |

- The value of the RSUs and restricted stock is based on the grant date fair value of awards computed in accordance with FASB ASC Topic 718. See the narrative discussion under the heading Grants of Plan-Based Awards for a description of the terms and conditions of the February 2011 grants. As of December 31, 2011, Mr. Parr held 1,080,734 RSUs and 54,437 shares of restricted stock. Mr. Jordan, who is currently eligible to retire, had all of his prior RSU awards vest in 2010 pursuant to the RSU Retirement Policy. See Compensation Discussion and Analysis Design of Our Compensation Programs Incentive Compensation for a discussion of the RSU Retirement Policy. As of December 31, 2011, Mr. Jordan held a total of 47,078 shares of restricted stock that he received upon the vesting of such RSUs and which will remain subject to all restrictive covenants, including continued compliance with the non-compete, non-solicit and other provisions, contained in the original RSU award agreement through the original vesting date of the RSUs.
- Messrs. Jordan and Parr are the beneficiaries of Company provided life insurance, long-term disability insurance and excess liability insurance policies. In addition, the firm pays a portion of each of their health insurance premiums, as it does for all U.S. employees. Pursuant to a letter agreement entered into with Mr. Jordan in 1999, and subsequently amended on January 1, 2004, Mr. Jordan is entitled to benefits on the same basis as other managing directors and to use,

Table of Contents

on a priority basis, a corporate apartment in New York. The incremental cost to the Company of providing Mr. Jordan with use of this apartment was \$288,000 in 2011. Mr. Jordan also received a tax gross-up payment of \$217,356 as reimbursement for taxes paid on the imputed income from the use of the apartment.

Perquisite compensation for Mr. Parr includes the incremental cost to the Company of providing U.S. tax advice and preparation of year-end personal tax returns.

Mr. Parr's retention agreement was supplemented by a letter agreement, dated as of April 21, 2010, which sets forth his right to a guaranteed level of compensation through calendar year 2012. The letter agreement was amended on February 27, 2012 (as described below) to reflect Mr. Parr's voluntary agreement to reduce his 2011 compensation. The letter agreement (without regard to the amendment) provides that so long as Mr. Parr remains employed by the Company at the end of the relevant year or is terminated without cause, he is entitled to receive a guaranteed annual payment of no less than \$10 million (the Annual Payment), with at least \$750,000 payable as annual base salary in accordance with the Company's normal practices. The cash portion of Mr. Parr's Annual Payment will be the greater of (i) \$5 million and (ii) an amount calculated by multiplying the percentage of the average cash portion of annual total compensation paid to the Company's Deputy Chairmen who have not yet reached retirement age in the relevant year by the Annual Payment. The remaining portion of the Annual Payment will be granted in RSUs upon the same terms and conditions as grants made to the Company's Deputy Chairmen in the prior year.

Pursuant to the February 2012 amendment to the letter agreement, Mr. Parr voluntarily agreed to reduce his Annual Payment for 2011 to \$7.5 million, which was paid \$3.5 million in cash (including base salary and 2011 annual bonus) and the remaining \$4 million in RSUs, which were granted on the same terms as applied in the original letter agreement. In addition, under the amended letter agreement, in lieu of the \$2.5 million in compensation for 2011 that Mr. Parr would have been entitled to receive under the original letter agreement, Mr. Parr is entitled to the following: (i) 54,745 shares of restricted stock, which were granted on February 27, 2012 and will vest on February 11, 2013 and (ii) 36,496 RSUs, which will be granted on February 11, 2013 and will vest 33% on March 3, 2014 and 67% on March 2, 2015. Vesting of the restricted stock and RSUs is contingent on Mr. Parr's continued employment until the relevant vesting date, provided that he will also vest if his employment is terminated without cause or due to death or disability. Upon a change in control (as defined in the Lazard Ltd 2008 Incentive Compensation Plan (the 2008 Plan)) prior to February 11, 2013, each of the awards described in the immediately preceding sentence will, if not granted as of such date, be deemed granted as of such date, and all such awards (both actually granted and deemed granted) will immediately vest.

In accordance with a prior letter agreement with Mr. Parr, the letter agreement includes a gross-up payment in connection with any excise tax imposed under Section 4999 of the Code. In the event that Mr. Parr receives any payment made by us under the letter agreement or otherwise that is subject to the excise tax imposed under Section 4999 of the Code, an additional payment will be made to restore him to the after-tax position that he would have been in if the excise tax had not been imposed.

Table of Contents**Beneficial Owners of More Than Five Percent**

Based on filings made under Section 13(d) and Section 13(g) of the Exchange Act, as of March 5, 2012, the only persons known by us to be beneficial owners of more than 5% of our Class A and Class B Common Stock were as follows (except for the persons whose beneficial share ownership is noted in the subsequent table):

| Name and Address of Beneficial Owner | Number of Shares of Class B Common Stock Beneficially Owned | Number of Shares of Class A Common Stock Beneficially Owned | Percentage of Shares | |
|---|--|--|--|---|
| | | | of Class A Common Stock Beneficially Owned | Percentage of Voting Power (a) |
| Ariel Investments, LLC 200 E. Randolph Drive, Suite 2900 Chicago, IL 60601 | | 6,305,134 | 5.2% | 5.0% |
| LAZ-MD Holdings 30 Rockefeller Plaza New York, New York 10020 | 1(b) | 0(c) | | 5.2%(d) |
| Lord, Abbett & Co. LLC 90 Hudson Street Jersey City, NJ 07302 | | 6,673,195 | 5.5% | 5.2% |
| Natixis 30 Avenue Pierre Mendes-France Paris, France 75013 | | 6,999,800 | 5.8% | 5.5% |

(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 5, 2012 represents approximately 5.2% of the voting power of all shares of our voting stock. This single share generally will entitle holders of LAZ-MD Holdings exchangeable interests who are party to the LAZ-MD Holdings stockholders' agreement to one vote for each LAZ-MD Holdings exchangeable interest held by them on a pass through basis.

Edgar Filing: Lazard Ltd - Form DEF 14A

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

Table of Contents

- (d) Includes shares of Class A common stock issued upon the vesting of certain RSUs pursuant to the terms of Lazard's amended retirement policy. The shares remain subject to certain restrictions on transfer, and other covenants, in accordance with the vesting schedule of the prior RSU awards.
- (e) Includes 6,999,800 shares of our Class A common stock that are held by Natixis. Mr. Mignon is the Chief Executive Officer of Natixis.
- (f) Mr. Castellano retired on March 31, 2011. Mr. Castellano's ownership of 52,139 shares of Class A common stock was reported on a Form 4 filed with the SEC on February 10, 2011.

Compensation Discussion and Analysis**Executive Summary**

This Compensation Discussion and Analysis explains the material elements of the compensation of our named executive officers in 2011. Our named executive officers are set forth in the table below:

| Name | Title |
|-----------------------|--|
| Kenneth M. Jacobs | Chairman and Chief Executive Officer |
| Michael J. Castellano | Chief Financial Officer (retired March 31, 2011) |
| Matthieu Bucaille | Chief Financial Officer (effective April 1, 2011) |
| Ashish Bhutani | Chief Executive Officer of Lazard Asset Management |
| Scott D. Hoffman | General Counsel |
| Alexander F. Stern | Chief Operating Officer |

Compensation Practices and Corporate Performance. Consistent with our philosophy that pay should be tied to performance, the Compensation Committee has implemented programs designed to better align the interests of our named executive officers and employees with Company performance and maximize shareholder value. Compensation practices that reflect our philosophy include:

Linking cash compensation to performance. The majority of cash compensation opportunity is based on Company and individual performance. Accordingly, the cash compensation paid to our named executive officers and employees as a group has fluctuated from year to year, reflecting the Company's financial results.

Granting equity and other long-term incentive compensation with multi-year vesting horizons. The restricted stock units, or RSUs, awarded to our named executive officers and employees and the interests in certain investment funds, or Lazard Fund Interests, awarded to Mr. Bhutani and other employees in 2012 generally vest approximately two or three years after the date of grant, subject to the executive's or employee's continued service with the Company. This aligns the interests of our named executive officers and employees with the interests of shareholders as the value that each individual realizes upon vesting depends on the long-term performance of Lazard Ltd's Class A common stock and, for certain individuals, including Mr. Bhutani, the value of certain Lazard investment funds. It also helps to retain our named executive officers and employees, giving shareholders the stability of highly productive, experienced management and employees. Furthermore, we apply a sliding scale to determine the percentage of an individual's total compensation that is paid in the form of long-term incentive compensation awards. Our most senior employees receive the greatest percentage of their compensation in the form of long-term incentive awards (up to 60%, or 50% for some employees of our Asset Management business, including Mr. Bhutani, for 2011), which reflects that, through their greater responsibilities and authority, they have more opportunity to influence our stock price and, in the case of employees in our Asset Management business, performance of Lazard managed funds.

Table of Contents

Establishing a direct link between long-term compensation and the performance of certain Lazard investment funds. In February 2011, the Company granted Lazard Fund Interests, in addition to RSUs, to eligible employees in Lazard's Asset Management business, including Mr. Bhutani. Pursuant to the terms of these awards, a portion of a participant's incentive compensation is invested in funds managed by either Lazard Asset Management, or LAM, or Lazard Frères Gestion SAS, or LFG. In February 2012, the Company also granted Lazard Fund Interests to Mr. Bhutani as part of his aggregate incentive compensation for 2011. In addition, the Company provided a broader group of employees, including eligible employees in Lazard's Financial Advisory business but excluding our named executive officers, other than Mr. Bhutani, the opportunity to receive Lazard Fund Interests as part of their incentive compensation for 2011. The Lazard Fund Interests are designed to align the performance and compensation of our eligible Lazard employees by directly linking their compensation to the performance of funds managed by our Asset Management business and, in the case of Asset Management employees, including Mr. Bhutani, to the business with which they are most directly involved. The stronger performance of these funds benefits not only our Asset Management clients but also shareholders and employees.

Developing new compensation instruments designed to enhance the link between incentive compensation and long-term performance. For the 2012 compensation cycle, the Compensation Committee adopted a new program under which it may grant a new form of at-risk performance based award, the LTIP, to establish another link between the payout of long-term incentive awards and the performance of our business, including relative to the performance of our peers. The LTIP program will subject 25% (based on the LTIPs vesting at the target level) of the total compensation payable to each of Messrs. Jacobs, Bucaille, Hoffman and Stern for a given year to full risk of loss, and the Compensation Committee expects that a majority of their total compensation for a given year that is not in the form of LTIP awards will continue to be granted in the form of existing risk-based deferred compensation awards. The LTIP awards generally vest over two or three years based on the achievement of pre-determined performance criteria that align directly with our long-term strategy of driving shareholder returns. By linking vesting of the LTIPs awarded to these pre-determined performance criteria, measured based on financial information that is readily available to shareholders, we believe that we have advanced our goal of developing objective risk-based deferred compensation programs.

We believe that our general pay-for-performance philosophy has contributed to our Company's strong performance over time. In 2011, despite difficult financial markets and a challenging fourth quarter, our Company performed well. We achieved record operating revenue through the third quarter on a consolidated basis, before the fourth quarter revenue decline. Our Asset Management business achieved record full-year operating revenue of \$883 million for 2011, 6% higher than 2010, and record management fees of \$818 million, 14% higher than 2010. In our Financial Advisory business, Strategic Advisory operating revenue was \$794 million for 2011, only 4% lower than 2010. We maintained control on compensation costs and compensation deferrals while increasing our investment in our businesses. In addition, we increased the dividends paid on our Class A common stock, we repurchased sufficient Class A common stock to offset the dilutive effect of equity awards granted in February 2011, and we repurchased \$150 million of subordinated debt at a discount.

In recognition of the challenges that we faced during 2011, like many of our managing directors and employees, each of our named executive officers experienced a substantial decline in the amount of his incentive compensation awarded for 2011. In particular, Mr. Jacobs' total incentive compensation for 2011 (i.e., annual cash bonus and long-term incentive awards) declined by approximately 42% from the level he received for 2010. Similarly, the incentive compensation paid to our other named executive officers who served in the same positions during 2010 and 2011 declined substantially from 2010 levels, in amounts ranging from approximately 27% to 31% of 2010 compensation levels.

We can conduct an advisory vote regarding executive compensation on an annual, biennial or triennial basis. After considering a variety of factors, including our shareholders' advisory vote with respect to the frequency of

Table of Contents

a shareholder advisory vote regarding executive compensation, our Board of Directors decided to conduct an advisory vote regarding executive compensation on an annual basis.

Compensation Governance. To ensure that our compensation programs conform to our pay-for-performance philosophy, we follow the procedures set forth below:

Maintaining an independent compensation committee. The Compensation Committee is comprised solely of independent directors and is responsible for reviewing and approving the compensation of each named executive officer. The Compensation Committee also reviews our overall compensation philosophy as well as the pay of certain other members of our senior management team who are not executive officers.

Engaging an independent compensation consultant. The Compensation Committee directly and independently engaged Hay Group, Inc., or Hay Group, a global independent compensation consulting firm, to assist it with compensation analyses, including through the use of compensation data of certain of our competitors, as one means of framing its compensation decisions. At this time, Hay Group performs no work for the Company other than advising the Compensation Committee with respect to compensation matters and the Nominating & Governance Committee on director compensation.

We believe that as a consequence of our prudent compensation governance procedures:

Compensation paid to the named executive officers has been reasonable relative to our comparator group. According to an analysis conducted by Hay Group in January 2012 regarding compensation levels of our comparator group for 2010 (the most recent year for which comprehensive data for our peers was available), the aggregate total direct compensation paid to our named executive officers (other than Mr. Castellano, who retired in early 2011 and whose compensation was not evaluated by Hay Group in this analysis) with respect to 2011 performance was appropriate in light of compensation levels of our comparator group. This analysis supported the Compensation Committee's conclusion that the aggregate total direct compensation paid to our named executive officers (other than Mr. Castellano) for 2011 was sufficiently competitive for 2011.

Our awarded compensation ratio was substantially unchanged in 2011, notwithstanding a decline in our operating revenue and new investments that we made over the course of the year. In 2011 and as further discussed under Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2011 Annual Report on Form 10-K, the ratio of our awarded compensation and benefits expense to operating revenue, or the awarded compensation ratio, was 61.7%. This was substantially unchanged from the awarded compensation ratio of 61.5% for 2010, notwithstanding the impact of the 5% decline in operating revenue over the same period and the new investments that we made in our Financial Advisory and Asset Management businesses during 2011. This also reflects a 5.3 percentage point decrease from the awarded compensation ratio of 67% for 2009. Notably, we maintained control on compensation deferrals and aggregate cash incentive compensation for 2011 decreased 21% from 2010. We remain committed to our long-term goal of limiting increases in our compensation expense, such that our compensation expense grows at a rate that is less than the rate of our revenue growth.

We are committed to addressing certain evolving best practices. With input from Hay Group, the Compensation Committee determined in 2011 that, in recognition of evolving best practices, we do not intend to enter into any new arrangements that would provide for an excise tax gross-up. Consistent with this determination, we entered into a new contract with Mr. Bhutani on August 2, 2011 that does not provide for an excise tax gross-up. Our retention agreements with Messrs. Jacobs, Bucaille, Hoffman and Stern are scheduled to expire on March 23, 2013, and we do not anticipate extending the excise tax gross-up currently provided in these retention agreements following such date.

Table of Contents

Philosophy and Objectives of Our Compensation Programs

General. Our compensation programs are designed to attract, retain and motivate executives and professionals of the highest quality and effectiveness. These compensation programs focus on rewarding the types of performance that increase shareholder value and drive shareholder returns, including growing revenue and reducing volatility, retaining clients, developing new client relationships, improving operational efficiency (including by managing compensation and non-compensation costs and expenses), returning cash to shareholders 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 provide compensation opportunities, contingent upon performance, that are competitive with practices of other similar financial services organizations.

We currently target annual operating revenue and earnings as key performance metrics, and in connection with our new LTIP program, we also focus on other key performance metrics, such as our generation of stable revenue growth, the amount of excess cash we return to shareholders and our management of costs and expenses. In allocating compensation to our named executive officers, managing directors and other senior professionals, the primary emphasis, in addition to Company 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 or February of each year in connection with year-end compensation decisions. The Compensation Committee directly and independently engaged Hay Group to assist it with review of market data and compensation analyses. At this time, Hay Group performs no work for the Company other than advising the Compensation Committee with respect to compensation matters and the Nominating & Governance Committee on director compensation.

Competitive Compensation Considerations. Because the competition to attract and retain high performing executives and professionals in the financial services industry is intense, the amount and composition of total compensation paid to our executives must be considered in light of competitive compensation levels. In this regard, for our named executive officers (other than Mr. Castellano), the Compensation Committee reviewed an analysis prepared by Hay Group regarding compensation levels for 2010 (as reported in 2011) and considered data regarding indicative trends for 2011 for comparable positions at the following financial services firms: Affiliated Managers Group Inc., BlackRock, Inc., Blackstone Group LP, Eaton Vance Corp., Evercore Partners Inc., Goldman Sachs Group, Inc., Greenhill & Co., Inc., Invesco Ltd, Jefferies Group, Inc., Legg Mason, Inc. and Morgan Stanley. While some of the companies listed above are larger than the Company, we chose this comparator group because we compete in the same marketplace with these companies for highly qualified and talented financial service professionals.

While the Compensation Committee considers the level of compensation paid by the firms in the Company's comparator group as a reference point that provides a framework for its compensation decisions, in order to maintain competitiveness and flexibility, the Compensation Committee does not target compensation at a particular level relative to the comparator group.

Design of Our Compensation Programs

Compensation for each of our named 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. The Compensation Committee reviews performance data by business line and by individual, in addition to competitive data. Determinations are made based on the totality of all the data and made on an individual basis.

With the exception of the 2008 compensation cycle, our annual incentive compensation awards since our equity public offering in 2005 up until the 2010 compensation cycle have had two components: a cash bonus and an equity-based award. In addition to the forms of annual incentive compensation we have used in the past, we

Table of Contents

have added new incentive compensation programs: for the 2010 compensation cycle, we added a new form of long-term incentive compensation for employees in our Asset Management business, including Mr. Bhutani, which we refer to as Lazard Fund Interests; for the 2011 compensation cycle, in addition to providing Lazard Fund Interest awards to Mr. Bhutani as part of his aggregate deferred compensation for 2011, we extended the Lazard Fund Interest award program to, at the option of employees who are not named executive officers, our managing directors and other senior professionals; and for the 2012 compensation cycle, we adopted the LTIP program. As further discussed below, we also provided certain senior professionals in our Asset Management business with deferred cash awards as a component of their aggregate deferred compensation for 2011.

Decisions with regard to incentive compensation are generally made in January or February of each year and are based on Company and individual performance in the prior fiscal year. Our Chief Executive Officer, Mr. Jacobs, makes recommendations to the Compensation Committee as to the total compensation package to be paid to our named executive officers. The Compensation Committee reviews and approves the total compensation package (salary and incentive compensation award) to be paid to our named executive officers, including Mr. Jacobs, and considers Mr. Jacobs' recommendations in its review. Mr. Jacobs does not participate in sessions of the Compensation Committee at which his own compensation is determined; however, he does participate in sessions at which the compensation of the other named executive officers is discussed. 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 for the past three fiscal years (including current and prior year base salaries, annual bonuses, RSUs and, in the case of Mr. Bhutani, Lazard Fund Interests), the value of benefits and other perquisites paid to our named executive officers, the value of unrealized gains/losses on prior equity-based awards and any LAZ-MD Holdings exchangeable interests held by our named executive officers, as well as potential amounts to be delivered under 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 named executive officers and are just one of the tools used by the Compensation Committee in making year-end compensation decisions.

Base Salary. Base salaries are intended to reflect the experience, skill and knowledge of our named executive officers, managing directors and other senior professionals in their particular roles and responsibilities, while retaining the flexibility to appropriately compensate for fluctuations in performance, both of the Company and the individual. Base salaries for our named 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. During 2011, each of our named executive officers (other than Mr. Castellano, whose retention agreement expired upon his retirement on March 31, 2011) was a party to a retention agreement with the Company that provides for a minimum annual base salary during the term of those agreements. See Retention Agreements with Named Executive Officers.

Incentive Compensation. Incentive compensation is a key component of our compensation strategy. Incentive compensation payouts can be highly variable from year to year and are generally based on our operating revenue and earnings 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. With respect to 2012 compensation, in connection with our LTIP program (as described below), incentive compensation payouts to applicable executive officers will also be based on our Volatility Adjusted Revenue Growth Ratio, our Shareholder Return Ratio and our Operational Leverage Ratio (in each case, as defined below). In addition, careful attention is paid to competitive compensation practices in the financial services industry.

In January or February of each year a determination is made as to the total amount of incentive compensation to be awarded to our named executive officers, managing directors and senior professionals based on Company and individual performance in the prior fiscal year. An allocation is then made between cash and equity-based awards. In addition, for the 2010 compensation cycle, we created a new form of performance-based

Table of Contents

compensation for employees of our Asset Management business, including Mr. Bhutani, which we refer to as Lazard Fund Interest awards, and for the 2011 compensation cycle, we extended the Lazard Fund Interest award program to, at the option of employees who are not named executive officers (other than Mr. Bhutani), our managing directors and other senior professionals.

In January 2012, we applied a progressive formula based on total compensation for all of our named executive officers, managing directors and senior professionals. Pursuant to this formula, as a recipient's total compensation (cash salary, cash bonus and long-term incentive compensation) increases, a greater percentage of his or her total compensation is composed of long-term incentive awards. This formula is based on a sliding scale that effectively begins at 5% for some of our vice presidents and directors and, except as described below, generally reaches 60% for our highest paid managing directors and is in line with our philosophy of focusing long-term incentive awards at the more senior levels, where our most senior employees, through their greater responsibilities and authority, have more opportunity to influence the stock price and, in the case of employees in our Asset Management business, performance of Lazard managed funds. The remainder of an individual's total incentive compensation award is payable in cash. For the 2011 compensation cycle, and primarily as a result of compensation practices in the asset management industry, the sliding scale described above generally applies to our highest paid managing directors and senior professionals in our Asset Management business, including Mr. Bhutani, but a portion of the recipient's long-term incentive award allocation (i.e., the portion between approximately 50% and 60%) is composed of a deferred cash award that becomes payable in May 2012, subject to the recipient's continued service with the Company.

Restricted Stock Unit Awards. For the 2011 compensation cycle, equity-based compensation was awarded to our named executive officers, other than Mr. Castellano (who retired on March 31, 2011), in the form of RSUs. RSUs are contractual rights to receive shares of Lazard Ltd Class A common stock upon vesting. The RSUs granted to our named executive officers in 2012 (which relate to 2011 performance) vest approximately two or three years after the date of grant, subject to the executive's continued service with the Company. In addition, in recognition of Mr. Bucaille's new role as Chief Financial Officer and to ensure his long-term dedication to the Company, Mr. Bucaille received a special long-term retention award of RSUs in 2011 that is scheduled to vest on March 1, 2019. See Grant of Plan-Based Awards for a discussion of the terms of the RSUs and for a discussion of the terms of the RSU Retirement Policy. Other than Mr. Castellano, who has retired, none of our named executive officers are currently eligible for retirement under the terms of the RSU Retirement Policy.

RSU awards enhance shareholder value by aligning the long-term interests of our named executive officers, managing directors and senior professionals with those of shareholders. Because the amount an individual realizes upon the vesting of his or her RSUs directly depends on the value of our Class A common stock at that time, each individual who receives an RSU becomes, economically, a long-term shareholder of the Company, with interests aligned with the interests of other shareholders.

RSUs also serve as an important retention mechanism by subjecting to forfeiture a significant portion of each recipient's compensation if he or she leaves the firm prior to the vesting date. Our named executive officers each own considerable interests in the Company through previous grants of RSUs and restricted stock and, in some cases, through their holdings of LAZ-MD Holdings exchangeable interests or shares received pursuant to the exchange of such interests. For additional information about the RSUs, LAZ-MD Holdings exchangeable interests and shares of our Class A common stock held by each of our named executive officers, see Beneficial Ownership of Directors, Director Nominees and Executive Officers and Outstanding Equity Awards at 2011 Fiscal Year-End. As a result, we believe our named executive officers have a demonstrable and significant interest in increasing shareholder value over the long term.

RSU awards are typically made in early February following our year-end earnings release. This year, RSUs were granted to each of our named executive officers on February 10, 2012, four days after our public announcement of year-end earnings. The number of RSUs granted in 2012 (which relate to 2011 performance) was determined by dividing the dollar amount allocated to be granted to the executive officer as an RSU award

Table of Contents

by the average closing price of our Class A common stock on the NYSE on the four trading days prior to February 10, 2012 (\$27.40). The RSUs granted on February 10, 2012 will generally vest 33% on March 3, 2014 and 67% on March 2, 2015.

In exchange for their RSU awards, our named executive officers agreed to restrictions on their ability to compete with the Company or to solicit our clients and employees, which 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 the Company is not factored into the Compensation Committee's decision-making process concerning future equity-based awards.

Pursuant to our RSU Retirement Policy, outstanding and unvested RSUs will vest (and in the case of members of Lazard Group, who report income from Lazard Group and its affiliates on Schedule K-1 to Lazard Group's Federal income tax return, whom we refer to as K-1 partners, be settled in restricted stock) as long as (i) the RSU holder is at least 56 years old, (ii) the RSU holder has completed at least five years of service with the Company and (iii) the sum of the RSU holder's actual age and years of service is at least 70. However, following retirement, the RSUs or restricted stock granted in settlement of the RSUs remain subject to all restrictive covenants, including continued compliance with non-compete, non-solicit and other provisions contained in the original RSU award agreement through the original vesting date of the RSUs, notwithstanding any expiration date specified therein. Any dividends payable with respect to the restricted stock are held in escrow until the forfeiture provisions lapse. A recipient of restricted stock is required to make an election under Section 83(b) of the Internal Revenue Code, which subjects him or her to taxation on such restricted stock on the date of grant. With the consent of the compliance department of the Company, a recipient may dispose of up to 50% of the restricted stock granted to him or her in order to pay taxes. Lazard Fund Interests, described below, are also subject to the retirement policy, and are treated in a manner similar to the RSUs under the policy.

Lazard Fund Interest Awards. In February 2011, in order to more closely align the compensation and performance of our employees in the Asset Management business with the interests of shareholders, the Company adopted the Lazard Fund Interest award as a new form of long-term incentive compensation. In February 2012, the Company gave all of our managing directors and other senior professionals (with the exception of our named executive officers, other than Mr. Bhutani) the option to participate in the Lazard Fund Interest program as part of their incentive compensation for 2011. Lazard Fund Interests represent actual or notional interests in certain investment funds managed by either LAM or LFG and, accordingly, should enable eligible employees to directly benefit from the performance of such funds. Recipients of Lazard Fund Interests are awarded a dollar value, which is invested (or deemed invested) in specified investment funds as directed by the recipient and held in a restricted brokerage account for the benefit of the recipient. Lazard Fund Interest award agreements generally contain the same vesting, change-in-control, restrictive covenant and forfeiture provisions as the RSU award agreements. In general, these agreements provide that unvested Lazard Fund Interests are forfeited on termination of employment, except in limited cases such as death, disability, a termination by the Company other than for cause or a qualifying retirement pursuant to the RSU Retirement Policy (as described above). In the event that the investment funds in which the Lazard Fund Interests are invested distribute earnings, such earnings are automatically re-invested in additional Lazard Fund Interests. These distributions will have the same restrictions as the underlying Lazard Fund Interests to which they relate.

Mr. Bhutani was granted a Lazard Fund Interest award on February 10, 2012 (which relates to 2011 performance) that will vest 33% on March 3, 2014 and 67% on March 2, 2015.

Impact of 2011 Performance on Compensation

In setting compensation levels for our employees for 2011, we primarily considered annual operating revenue, earnings and competitive conditions in the financial services industry. Due to the uneven economic recovery worldwide and the current regulatory environment, it is imperative to continue to attract, retain and motivate executives and professionals of the highest quality and effectiveness. Part of our business strategy is to

Table of Contents

recruit and retain proven senior professionals who have strong client relationships and industry expertise, and who understand the needs of our business and culture. Because of the value they bring to the Company, these individuals command high levels of compensation.

In 2011, our operating revenue was \$1.884 billion, representing a 5% decline from operating revenue of \$1.979 billion in 2010. In light of this decline in operating revenue, current economic and competitive conditions, information provided by Hay Group, discussions with our executive officers and other factors considered by the Compensation Committee, the Compensation Committee determined that our target level of awarded compensation should reflect this decline and, therefore, that the ratio of awarded compensation and benefits expense to operating revenue, or the awarded compensation ratio, should be set at 61.7% in order to meet our compensation and retention objectives. This was substantially unchanged from the awarded compensation ratio of 61.5% for 2010, notwithstanding the impact of the 5% decline in operating revenue over the same period and the new investments that we made in our Financial Advisory and Asset Management businesses during 2011. This also reflects a 5.3 percentage point decrease from the awarded compensation ratio of 67% for 2009. Notably, we maintained control on compensation deferrals and aggregate cash incentive compensation for 2011 decreased 21% from 2010. We remain committed to our long-term goal of limiting increases in our compensation expense, such that our compensation expense grows at a rate that is less than the rate of our revenue growth.

Compensation For Each of Our Named Executive Officers in 2011

2011 Base Salaries. We have retention agreements with Messrs. Jacobs, Bucaille, Bhutani, Hoffman and Stern that establish their respective minimum annual base salaries. These amounts were negotiated and were meant to ensure that the Company would have the services of each of these named executive officers during the term of their respective agreements. See Retention Agreements with Named Executive Officers. The base salary paid in 2011 to Mr. Jacobs was \$900,000 and to each of Mr. Bucaille, Mr. Bhutani, Mr. Hoffman and Mr. Stern was \$750,000. Mr. Castellano, with whom we had a retention agreement that expired upon his retirement on March 31, 2011, was paid in 2011 a pro-rated amount of the minimum required under his retention agreement: \$125,000 for the first quarter of 2011.

2011 Incentive Compensation.

Mr. Jacobs. In determining the amount of incentive compensation to be paid to our Chief Executive Officer, Mr. Jacobs, the Compensation Committee considered the factors described under Impact of 2011 Performance on Compensation, as well as Mr. Jacobs' individual performance in 2011. The Compensation Committee noted that, despite difficult financial markets and a challenging fourth quarter, our Company performed well in 2011. We achieved record operating revenue through the third quarter on a consolidated basis, before the fourth quarter revenue decline. Our Asset Management business achieved record full-year operating revenue of \$883 million for 2011, 6% higher than 2010, and record management fees of \$818 million, 14% higher than 2010. In our Financial Advisory business, Strategic Advisory operating revenue was \$794 million for 2011, only 4% lower than 2010. We maintained control on compensation costs and compensation deferrals while increasing our investment in our businesses. In addition, we increased the dividends paid on our Class A common stock, we repurchased sufficient Class A common stock to offset the dilutive effect of equity awards granted in February 2011, and we repurchased \$150 million of subordinated debt at a discount.

The Compensation Committee also considered the goals and objectives previously established for Mr. Jacobs by the Compensation Committee. The goals and objectives provided the Compensation Committee with a comprehensive set of criteria that assisted the Compensation Committee in its evaluation of Mr. Jacobs' performance in 2011 and its determination of Mr. Jacobs' incentive compensation for 2011. The goals and objectives (which did not include numerical targets) consisted primarily of:

Company Performance:

Operating revenue; and

Net income.

Table of Contents

Individual Performance:

Providing the leadership and strategic vision necessary to position the Company for future growth and profitability;

Leading franchise-building efforts across the Company's businesses and regions;

Motivating key employees and attracting and retaining new talent;

Growing the Asset Management business by focusing on continually improving investment performance and through motivating and retaining key employees and hiring new talent;

Facilitating global integration by improving collaboration across units worldwide;

Setting financial targets and building an organization that is capable of achieving the strategic vision; and

Keeping the Board of Directors informed generally, including with respect to ongoing strategic, financial and operating issues and initiatives within the Company.

In addition to the factors described above, the Compensation Committee noted the following accomplishments as a result of Mr. Jacobs' initiative and ongoing leadership and dedication during 2011:

The Company remained strategically focused on its mission and mandate as articulated by Mr. Jacobs, and the Company's execution in 2011 was consistent with this strategy;

Collaboration across business lines and geographic locations continued to improve;

Communication among Mr. Jacobs, the Company's Deputy Chairmen and other members of senior management continued to unify the Company around a common mission and purpose;

A rigorous performance management system and compensation allocation process generally viewed as fair by the Company's managing directors was executed; and

The Company continued to successfully recruit highly regarded senior level talent and maintained strong personnel management. The Compensation Committee also thoroughly reviewed the Company's past compensation practices, the competitive compensation practices at the other firms included in our comparator group and the unqualified dedication and selflessness that Mr. Jacobs brings to the Lazard franchise. The Compensation Committee and Mr. Jacobs also considered Mr. Jacobs' strong desire to implement compensation discipline throughout the firm and Mr. Jacobs' desire to personally participate in this initiative. Based on its review, the Compensation Committee decided to grant Mr. Jacobs an incentive compensation award of \$8.050 million, payable as follows: an RSU award valued at \$5.370 million and a \$2.680 million cash bonus. The RSUs awarded to Mr. Jacobs constituted approximately 60% of Mr. Jacobs' total compensation for 2011 (salary, cash bonus and equity-based awards).

Edgar Filing: Lazard Ltd - Form DEF 14A

As reflected in the table below, in response to the challenging economic conditions that we faced during 2011, resulting in a 5% decline in our annual operating revenue, Mr. Jacobs' total incentive compensation for 2011 (i.e., annual cash bonus and long-term incentive awards) declined by approximately 40% from the level he received for 2010. This substantial decline in Mr. Jacobs' incentive compensation for 2011 is indicative of the benefits to the Company of maintaining a flexible compensation system that allows the Compensation Committee to adjust the amount payable to our Chief Executive Officer and other members of senior management in recognition of a decline in our performance. Furthermore, by linking 60% of Mr. Jacobs' compensation for 2011 directly to the future performance of Lazard Ltd's Class A common stock, the majority of Mr. Jacobs' compensation for 2011 will be at risk based on our ability to achieve growth and produce value for shareholders over the next two to three years. Given the combination of base salary, annual cash bonus and RSUs awarded to Mr. Jacobs for 2011, the Compensation Committee believes it has struck the right balance between addressing the challenges we confronted in 2011 and the desire to keep Mr. Jacobs focused on the Company's long-term performance.

Table of Contents

The following table shows the base salary and incentive compensation awarded to Mr. Jacobs for his performance in 2010 and 2011 in the manner it was considered by the Compensation Committee. This presentation differs from that contained in the Summary Compensation Table for 2011 in the following respects: by (i) showing the full grant date value of the RSUs awarded on February 10, 2012, which related to 2011 performance but are not reflected in the Summary Compensation Table for 2011 because they were granted after the end of our 2011 fiscal year; and (ii) excluding the full grant date value of the RSUs granted on February 10, 2011, which are included in the Summary Compensation Table for 2011, but related to 2010 performance. A similar methodology was applied to reflect 2010 compensation, which was included in order to provide a basis for comparison. In addition, the Change in Pension Value and All Other Compensation columns have been omitted for each year, because they are not tied to Mr. Jacobs' performance for the applicable year.

| | Year | Salary | Incentive Compensation | | Total Compensation |
|-------------------|------|------------|------------------------|-------------------|--------------------|
| | | | Annual Cash Bonus | Annual RSU Awards | |
| Kenneth M. Jacobs | 2011 | \$ 900,000 | \$ 2,680,000 | \$ 5,370,000 | \$ 8,950,000 |
| | 2010 | \$ 900,000 | \$ 5,100,000 | \$ 8,800,000 | \$ 14,800,000 |

Other Named Executive Officers. As described above, our Chief Executive Officer, Mr. Jacobs, makes recommendations to the Compensation Committee as to the total compensation package to be paid to our named executive officers. The Compensation Committee reviews and approves the total compensation package (salary and incentive compensation award) to be paid to our named executive officers, and considers Mr. Jacobs' recommendations in its review. The retention agreements with Messrs. Bhutani, Bucaille, Hoffman and Stern 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 the Company's other executive officers and paid in the same ratio of cash to equity awards or, in the case of Mr. Bhutani, deferred awards, as is applicable to other executives. The retention agreement with Mr. Castellano expired upon his retirement on March 31, 2011. Mr. Jacobs reviewed with the Compensation Committee the performance of each of Messrs. Bhutani, Bucaille, Hoffman and Stern individually and their overall contribution to the Company in 2011, which was not based on any numerical targets. In evaluating the total compensation packages to be paid to our named executive officers, the Compensation Committee and Mr. Jacobs considered the factors described under Impact of 2011 Performance on Compensation, as well as their individual contributions to the Company, their desire to advance the implementation of compensation discipline throughout the firm and their desire to personally participate in this initiative.

In evaluating annual incentive compensation for Mr. Bhutani, the Compensation Committee and Mr. Jacobs considered his consistent leadership and high level of performance as the Chief Executive Officer of LAM and the overall success of the Asset Management business in 2011, including its achievement of record full-year operating revenue of \$883 million for 2011, 6% higher than 2010, and record management fees of \$818 million, 14% higher than 2010. The Compensation Committee and Mr. Jacobs reviewed Mr. Bhutani's role in the Company, his positioning on an internal pay equity scale vis-à-vis other managing directors within the Asset Management business, specifically, and the Company, in general, and the competitive compensation practices at the other firms included in our comparator group. The Compensation Committee and Mr. Jacobs also considered the difficulty and expense of replacing an executive of Mr. Bhutani's caliber should he decide to leave. The Compensation Committee approved the following incentive compensation for Mr. Bhutani for his performance in 2011: Mr. Bhutani received a cash bonus of \$3.210 million, a deferred cash award valued at \$990,000, an RSU award valued at \$3.173 million and a Lazard Fund Interest award valued at \$1.778 million. Together, the deferred cash, RSUs and Lazard Fund Interests awarded to Mr. Bhutani constituted approximately 60% of his total compensation for 2011 (salary, cash bonus and long-term incentive awards). As reflected in the table below, Mr. Bhutani's total incentive compensation for 2011 declined by almost 31% from the level he received in 2010 in recognition of the Compensation Committee's determination that, in light of Mr. Bhutani's position as a named executive officer of the Company, his compensation should be based not only on the performance of our Asset Management business but also on the performance of the Company as a whole.

Table of Contents

In evaluating annual incentive compensation for Mr. Stern, the Compensation Committee and Mr. Jacobs considered several factors, including the various roles that Mr. Stern serves for the Company. The Compensation Committee and Mr. Jacobs considered Mr. Stern's myriad responsibilities, his performance as Chief Operating Officer and his contribution to the financial strength of the Company. Mr. Stern maintains a balance between his leadership and administrative responsibilities within the firm, while continuing to cultivate important client relationships. Additional factors that the Compensation Committee and Mr. Jacobs considered included Mr. Stern's effective management of managing directors and senior professionals overseeing various business sectors on a global basis, the competitive compensation practices at the firms in our comparator group and the difficulty and expense of replacing Mr. Stern should he decide to leave. The Compensation Committee approved the following incentive compensation for Mr. Stern for his performance in 2011: Mr. Stern received a cash bonus of \$1.193 million and an RSU award valued at \$2.808 million. The RSUs awarded to Mr. Stern constituted approximately 59% of his total compensation for 2011 (salary, cash bonus and equity-based awards).

In evaluating incentive compensation for Messrs. Bucaille and Hoffman, the Compensation Committee and Mr. Jacobs considered that each provides significant leadership to the Company in his role as Chief Financial Officer and General Counsel, respectively. Mr. Bucaille has worldwide responsibility for corporate finance and accounting at the Company, while continuing to maintain important client relationships cultivated prior to becoming Chief Financial Officer. Mr. Hoffman has worldwide responsibility for legal and compliance, and also oversees internal audit and global communications. The Compensation Committee and Mr. Jacobs further considered that both executives have been tasked with primary responsibility for establishing and implementing uniform internal policies within the Company, so that other members of senior management can focus on building the Lazard franchise and cultivating client relationships. With respect to Mr. Bucaille, the Compensation Committee and Mr. Jacobs discussed his contribution to the overall strength of the Company as well as his efficient transition to, and his dedication in connection with the assumption of, his responsibilities as Chief Financial Officer. With respect to Mr. Hoffman, the Compensation Committee and Mr. Jacobs discussed his wide-ranging responsibility for overseeing worldwide legal and compliance operations during a period of continuing legal and regulatory reform, as well as his diverse responsibilities for overseeing internal audit, global communications, legislative and regulatory affairs and the Company's U.S. real estate. Mr. Jacobs noted that Mr. Hoffman was a key contributor to the collective management team, providing leadership, advice and guidance to him, as Chief Executive Officer, and the Compensation Committee and Mr. Jacobs further noted that Mr. Hoffman also provides such advice and guidance to the Board of Directors. Based on Mr. Jacobs' recommendation, the Compensation Committee approved the following incentive compensation for each of Mr. Bucaille and Mr. Hoffman for their performance in 2011: Mr. Bucaille received a cash bonus of \$617,500 and an RSU award valued at \$2.033 million; Mr. Hoffman received a cash bonus of \$817,500 and an RSU award valued at \$1.933 million. The RSUs awarded to Messrs. Bucaille and Hoffman constituted approximately 60% and 55%, respectively, of their total compensation for 2011 (salary, cash bonus and long-term incentive awards but excluding, in the case of Mr. Bucaille, the special RSU grant described below). In addition, in recognition of Mr. Bucaille's new duties as Chief Financial Officer and to ensure his long term dedication to the Company, Mr. Bucaille received a long-term retention award in 2011 consisting of 71,085 RSUs valued at \$3.1 million that are scheduled to vest in full on March 1, 2019.

The Compensation Committee did not approve incentive compensation for Mr. Castellano, who retired from the Company effective March 31, 2011, in respect of the Company's 2011 performance.

The following table shows the base salary and incentive compensation paid to Messrs. Bhutani, Bucaille, Hoffman and Stern for their performance in 2010 and 2011 in the manner it was considered by the Compensation Committee. This presentation differs from that contained in the Summary Compensation Table for 2011 in the following respects: by (i) showing the full grant date value of the RSUs and Lazard Fund Interests granted on February 10, 2012, which related to 2011 performance but are not reflected in the Summary Compensation Table for 2011 because they were granted after the end of our 2011 fiscal year; (ii) excluding the full grant date value of the RSUs and Lazard Fund Interests granted on February 10, 2011, which are included in the Summary Compensation Table for 2011, but related to 2010 performance; (iii) excluding the full grant date value of the

Table of Contents

special, long-term retention award of 71,085 RSUs granted to Mr. Bucaille on March 25, 2011 with a grant date value of \$3.1 million that are scheduled to vest in full on March 1, 2019, since these RSUs were not a part of Mr. Bucaille's regular incentive compensation for 2011; and (iv) presenting \$990,000 of Mr. Bhutani's 2011 bonus as a deferred cash award, since this award was not paid in February 2012 at the same time as our regular bonuses, but will be paid in May 2012, contingent on Mr. Bhutani's continued employment until the payment date. A similar methodology has been applied to reflect 2010 compensation, which was included for each named executive officer other than Mr. Bucaille in order to provide a basis for comparison. Mr. Bucaille's compensation for 2010 is not included in the table below, because he was not an executive officer during 2010. In addition, the Change in Pension Value and All Other Compensation columns have been omitted for each year, because they are not tied to the named executive officers' performance for the applicable year, and Mr. Castellano's compensation was excluded, since he retired on March 31, 2011.

| | Year | Salary | Annual Cash Bonus | Incentive Compensation | | Lazard Fund Interest Awards | Total Compensation |
|--------------------|------|------------|-------------------|------------------------|--------------|-----------------------------|--------------------|
| | | | | Deferred Cash Awards | RSU Awards | | |
| Ashish Bhutani | 2011 | \$ 750,000 | \$ 3,210,000 | \$ 990,000 | \$ 3,172,500 | \$ 1,777,500 | \$ 9,900,000 |
| | 2010 | \$ 750,000 | \$ 6,250,000 | | \$ 5,175,000 | \$ 1,825,000 | \$ 14,000,000 |
| Matthieu Bucaille | 2011 | \$ 750,000 | \$ 617,500 | | \$ 2,032,500 | | \$ 3,400,000 |
| Scott D. Hoffman | 2011 | \$ 750,000 | \$ 817,500 | | \$ 1,932,500 | | \$ 3,500,000 |
| | 2010 | \$ 750,000 | \$ 1,500,000 | | \$ 2,250,000 | | \$ 4,500,000 |
| Alexander F. Stern | 2011 | \$ 750,000 | \$ 1,192,500 | | \$ 2,807,500 | | \$ 4,750,000 |
| | 2010 | \$ 750,000 | \$ 2,500,000 | | \$ 3,250,000 | | \$ 6,500,000 |

Perquisites. In 2011, each of our named executive officers, other than Mr. Bucaille, received less than \$32,000 in perquisite compensation. Our named executive officers are entitled to receive the same perquisite compensation provided to all of our U.S. managing directors as a group, including (i) the payment by the Company of a portion of the health insurance premiums for each of our U.S. managing directors on the same basis that it does for all U.S. employees and (ii) being the named beneficiaries of a Company-provided life insurance and excess liability insurance policy and long-term disability insurance. None of our U.S. managing directors receive any matching contributions from the Company on their personal contributions to the Company's 401(k) plan. Each of our U.S. managing directors is entitled to have his year-end personal tax returns prepared by our tax department. Messrs. Jacobs, Bucaille, Castellano, Hoffman and Stern have availed themselves of this benefit. This perquisite has been a 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.

Pursuant to his retention agreement with the Company, Mr. Bucaille is also entitled to reimbursement of up to \$10,000 per month on his residence in the New York City area, as well as reimbursement of private school tuition for each of his children under the age of 18 years old. These additional benefits are provided to Mr. Bucaille in connection with the relocation of his family from France to the United States in order to serve as our Chief Financial Officer, and in recognition of the educational needs of his children, whose native language is French. The Compensation Committee determined this was appropriate in order to minimize the disruption of Mr. Bucaille's family life and reduce distractions as a result of his relocation, thereby allowing him to focus on his duties as Chief Financial Officer. Mr. Bucaille is additionally entitled to a tax gross-up for any such reimbursement he receives. The aggregate value of these benefits in 2011 was \$641,855, a portion of which represents amounts incurred in 2010 and reimbursed to Mr. Bucaille on a discretionary basis during 2011.

Post-Employment Benefits. Each of Messrs. Jacobs, Hoffman and Stern has an accrued benefit under the Lazard Frères & Co. LLC Employees Pension Plan, a qualified defined-benefit pension plan, and Messrs. Hoffman and Stern have accrued additional benefits under a related supplemental defined-benefit pension plan. In each case, these benefits accrued prior to the applicable officer becoming a managing director of the Company. Benefit accruals under both of these plans were frozen for all participants effective January 31, 2005,

Table of Contents

and our named executive officers will not accrue any additional benefits. The annual benefit under such plans, payable as a single life annuity commencing at age 65, would be \$6,447 for Mr. Jacobs, \$18,845 for Mr. Hoffman and \$12,421 for Mr. Stern. Under the terms of the supplemental defined-benefit pension plan, the benefits are payable only in a single lump-sum payment. Messrs. Bhutani, Bucaille and Castellano do not participate in these plans. For the value of the benefits accrued by Messrs. Jacobs, Hoffman and Stern under these plans as of December 31, 2011, see [Pension Benefits](#) below.

The retention agreement with each of our named executive officers, other than Mr. Castellano, whose retention agreement expired upon his retirement on March 31, 2011, provides for certain severance benefits in the event of a termination of employment by the Company other than for cause or by the executive officer for good reason (we refer to these as a qualifying termination) prior to March 23, 2013. We provide for such severance payments on the condition that for specified periods the departed executive does not compete with the Company, solicit the Company's clients or employees or take other actions that may harm the Company's business. The level of the severance benefits depends on whether the qualifying termination occurs prior to or following a change in control of the Company, with qualifying terminations following a change in control generally triggering enhanced benefits. In the case of Mr. Bhutani, such enhanced benefits are triggered only in the event of a qualifying termination following a change in control pursuant to which we are acquired by an entity that has an asset management business. In addition, the retention agreement with each of our named executive officers, other than Mr. Bhutani (and Mr. Castellano, due to his retention agreement expiring upon his retirement on March 31, 2011), provides that, in the event that the executive officer's receipt of any payment from the Company 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](#); see also [Potential Payments Upon Termination or Change in Control](#) for an estimate of potential payouts under each scenario.

In general, unvested RSUs and Lazard Fund Interests are forfeited by our named executive officers upon termination of employment, except in limited cases such as death, disability, a termination by the Company other than for cause or a qualifying retirement pursuant to our RSU Retirement Policy. See [RSU Retirement Policy](#). In the event of a change in control of the Company, any unvested RSUs and Lazard Fund Interests will automatically vest. In this way, our named executive officers can realize value from these awards in the same way as shareholders in connection with the change in control transaction, and thus encourage our named executive officers to consider and support transactions that might benefit shareholders.

Mr. Castellano, who retired on March 31, 2011, had all of his prior RSU awards vest in 2010 pursuant to our RSU Retirement Policy. The shares Mr. Castellano received upon the RSU vesting (less shares withheld to cover certain tax liabilities) remain subject to certain restrictions, including continued compliance with the non-compete, non-solicit and other provisions in the RSU agreements, which will remain in place until the originally scheduled vesting date of each underlying RSU award.

Consulting Arrangement with Mr. Castellano. In order to ensure a smooth transition in connection with Mr. Castellano's retirement on March 31, 2011 following his ten years of service as our Chief Financial Officer, the Company determined that it would be beneficial for him to facilitate the transfer of his duties to Mr. Bucaille by providing post-employment consulting services for a period following his retirement. During 2011, he received a total of \$875,000 in consideration for such services.

Discontinuance of Excise Tax Gross-Ups. Each retention agreement with our named executive officers, other than Mr. Bhutani (and Mr. Castellano, due to his retention agreement expiring upon his retirement on March 31, 2011), currently provides that, in the event that the executive officer's receipt of any payment made by us is subject to the excise tax imposed under Section 4999 of the Code, an additional payment will be made to restore the executive officer to the after-tax position that he would have been in if the excise tax had not been

Table of Contents

imposed. With input from Hay Group, the Compensation Committee determined in 2011 that, in recognition of evolving best practices, we do not intend to enter into any new arrangements that would provide for an excise tax gross-up. Consistent with such determination, as noted above, we entered into a new contract with Mr. Bhutani on August 2, 2011 that does not provide for an excise tax gross-up. Our retention agreements with Messrs. Jacobs, Bucaille, Hoffman and Stern are scheduled to expire on March 23, 2013, and we do not anticipate extending the excise tax gross-up currently provided in these retention agreements following such date.

Risks Related to Compensation Policies. In keeping with our risk management framework, we consider risks not only in the abstract, but also risks that might hinder the achievement of a particular objective. We have identified two primary risks relating to compensation: that compensation will be insufficient to retain talent and that compensation strategies might result in unintended incentives. To combat the first risk, as noted above, the compensation of employees throughout the Company is reviewed against comparative compensation data, permitting us to set compensation levels that we believe contribute to low rates of employee attrition. Further, long-term incentive compensation (including RSUs and Lazard Fund Interests) awarded to our named executive officers, managing directors and other senior professionals are subject to vesting over two- or three-year periods. We believe both the levels of compensation and the structure of the RSU awards and Lazard Fund Interest awards have had the effect of retaining key personnel. We further believe that the structure of LTIP awards, as described below, when granted will enhance our ability to retain applicable executive officers.

With respect to the second risk, our Company-wide year-end discretionary compensation program is designed to reflect the performance of the Company, the performance of the division in which the employee works and the performance of the individual employee, and is designed to discourage excessive risk taking. For example, paying a significant portion of our year-end compensation in the form of long-term incentive compensation (including RSUs and Lazard Fund Interests and, in the case of applicable executive officers for 2012, LTIPs) that generally vests over two or three years makes or will make each of our named executive officers, managing directors and other senior professionals sensitive to long-term risk outcomes, as the value of their awards increase or decrease with the price of Lazard Ltd's common stock and, in the case of holders of Lazard Fund Interests, the performance of funds managed by our Asset Management group and, in the case of applicable executive officers, the performance of the Company. Further, performance criteria for some of the Asset Management executives now include Company-wide risk management practices (some relating to mitigating certain of Asset Management's key risks, and some relating to oversight of the ordinary course risks to which our Asset Management business is subject). In addition, performance criteria for applicable executive officers under the LTIP program will include adjustments for revenue volatility in recognition of our belief that more volatile growth is less valuable to our shareholders. We believe these criteria will provide our employees additional incentives to prudently manage the wide range of risks inherent in the Company's business. We are not aware of any employee behavior motivated by our compensation policies and practices that creates increased risks for shareholders or our clients.

Based on the foregoing, we do not believe that our compensation policies and practices create risks that are reasonably likely to have a material adverse effect on the Company.

Long-Term Incentive Program

Purposes of the LTIP Program. After considering the interests of our shareholders, discussions with our shareholders relating to our 2011 shareholder advisory vote regarding executive compensation, the advice of Hay Group and the views of Mr. Jacobs, our Chairman and Chief Executive Officer, the Compensation Committee adopted the long-term incentive, or LTIP, program. The Compensation Committee and Mr. Jacobs believe that our business should be managed for the benefit of our shareholders and, to that end, strive to implement compensation discipline throughout the firm, to properly incentivize our senior management and to reinforce the link between pay and long-term performance within our compensation programs. The Compensation Committee therefore adopted the LTIP program to advance these initiatives and establish another link between the payout of long-term incentive awards and the performance of our business, as well as to place a portion of pay at risk based on financial metrics and our performance relative to the performance of our peers, in addition to stock price performance.

Table of Contents

Risk. Risk is an inherent feature of many of our existing deferred compensation programs, including discretionary cash bonuses, RSU awards and Lazard Fund Interest awards. Such awards are typically determined at the conclusion of a given compensation cycle based on a variety of considerations, including retrospective evaluations of individual and Company performance during the relevant period. In addition, RSU and Lazard Fund Interest awards typically vest over a period of two to three years and provide value upon vesting that depends on the long-term performance of our common stock or relevant Lazard investment fund. Such value may, and from time to time has been, less than the value a recipient would have received if the award vested at the grant date, depending on the Company's performance.

The LTIP program supplements our existing risk-based deferred compensation programs by subjecting 25% of the total compensation payable to each of Messrs. Jacobs, Bucaille, Hoffman and Stern for a given year to full risk of loss based upon the long-term financial performance of our business, measured against objective, pre-established performance goals. For purposes of this discussion of the LTIP program, we refer to Messrs. Jacobs, Bucaille, Hoffman and Stern as the applicable executive officers. The Compensation Committee expects that a majority of each applicable executive officer's total compensation for a given year that is not granted in the form of LTIP awards will continue to be granted in the form of existing risk-based deferred compensation awards, including discretionary cash bonuses and deferred equity awards.

Transparency. We believe the LTIP program furthers our goal of implementing transparent compensation practices. The performance metrics that must be satisfied in order for recipients of LTIP awards to vest, and therefore, to realize value from the award, are tied to factors that we consider critical measures of our success and our ability to return value to our shareholders. Importantly, the financial information that will be used in measuring our Company's and the applicable executive officers' performance with respect to these metrics is readily available to shareholders, including through our annual earnings releases. By coupling the potential value of the LTIPs with our degree of success in these critical areas, we believe we have created another link (in addition to stock price fluctuations) between value realized by our shareholders and value to the applicable executive officers, measuring shareholder return using the same tools as our shareholders.

Objectivity. The value that a recipient will realize upon vesting of an LTIP award will be calculated by reference to financial metrics that are indicative of the Company's overall performance, rather than individual performance, on an absolute and relative basis. These metrics rely on criteria such as revenue, historical company performance, returns to shareholders and operating costs. At the measurement times, each of the metrics is assigned a score, based on our performance with respect to these metrics, either benchmarked against an appropriate metric or as an absolute standard and, where appropriate, considered in light of our peers' performance in similar areas. Such scores are generally weighted evenly over the performance period, with the ultimate level of payout for the awards determined by reference to the weighted numeric score. By looking to pre-established metrics of the Company's performance and linking payout directly to scores awarded for such metrics, we have enhanced the objectivity of our compensation programs.

Overview. The Compensation Committee has been committed to addressing evolving best practices in connection with our compensation programs. Following discussions with our shareholders relating to our shareholder advisory vote regarding executive compensation in late April 2011, the Compensation Committee, together with Hay Group and Mr. Jacobs, sought to reexamine aspects of our existing compensation programs in light of evolving best practices, including the recent emergence of compensation programs that include objective and quantifiable performance targets. The LTIP program involves a new form of at-risk performance-based award under the 2008 Incentive Compensation Plan, and initial grants of LTIP awards will be made in connection with the 2012 compensation cycle. For 2012, LTIP grants will comprise 25% of the total aggregate compensation awarded to the applicable executive officers (based on the LTIPs vesting at the target level). We expect that, for future compensation cycles, LTIPs will continue to form a significant part of the aggregate compensation awarded to the applicable executive officers. The Compensation Committee would also have the flexibility in future years to adjust the terms or financial metrics applicable to LTIP awards in order to address circumstances and issues that may then apply to us.

Table of Contents

As further discussed below, our performance during the current fiscal year, as well as the 2013 and 2014 fiscal years, will affect the benefit ultimately received by recipients of LTIP awards. By establishing the LTIP program at this time, the Compensation Committee has made the financial metrics that drive payout under LTIP awards available to the applicable executive officers, so that they will know the basis upon which a portion of their 2012 pay will be at risk, and also to our shareholders.

Quantifiable Financial Metrics to Measure Business Performance. While a variety of factors may be relevant to an evaluation of the performance of a given business, the Compensation Committee determined that three financial ratios are the most appropriate financial metrics for purposes of the LTIP awards: our Volatility Adjusted Revenue Growth Ratio, or VARGR, our Shareholder Return Ratio, or SRR, and our Operational Leverage Ratio, or OLR, each of which is described in further detail below. Collectively, VARGR, SRR and OLR align directly with our long-term strategy of driving shareholder returns through high-quality revenue and earnings growth, focusing on reducing volatility, increasing operating leverage (including by managing compensation and non-compensation costs and expenses) and returning excess cash to our shareholders (including through dividends and equity repurchases). After considering the interests of our shareholders and input from Hay Group and Mr. Jacobs, as well as the relevance of VARGR, SSR and OLR in light of the historical performance of Lazard, the Compensation Committee selected VARGR, SRR and OLR as the three performance metrics for purposes of the LTIP program because, taken together, they reflect, among other things, the manner in which the Compensation Committee measures the success that the applicable executive officers can achieve in executing our long-term strategy and managing our business for the benefit of our shareholders. An explanation of the importance of each financial ratio is set forth below.

Volatility-Adjusted Revenue Growth Ratio. We seek to generate stable, high-quality revenue growth, and the Compensation Committee believes that our shareholders value such revenue growth. Our innovative business model incorporates balanced growth initiatives and a diversity of businesses, including operations that are countercyclical, which we believe ultimately produces less volatile revenues. As further discussed below, we can measure our success in generating stable revenue growth through our VARGR.

Shareholder Return Ratio. We endeavor to return excess cash to our shareholders. By paying dividends to our shareholders, repurchasing equity and minimizing the need for additional capital in our business, we are better poised to return to shareholders a portion of the excess cash that is generated by our business. The Compensation Committee believes that our shareholders value the ability to receive a portion of the excess cash generated by our business. As further discussed below, we can measure our success in returning excess cash to our shareholders through our SRR.

Operational Leverage Ratio. The Compensation Committee believes that our shareholders value our ability to effectively manage the costs of our business. We are committed to our long-term goal of limiting increases in our compensation expense, such that our compensation expense grows at a rate that is less than the rate of our revenue growth. By also implementing other disciplined cost containment initiatives that take advantage of opportunities to reduce cost pressures, focusing on opportunities to reduce debt and related interest expense, increasing the efficiency of our technological, administrative and support systems, and replacing legacy costs, we seek to advance our ultimate objective of increasing shareholder returns. As further discussed below, we can measure our success in reducing our compensation and other expenses through our OLR.

Performance-Based Vesting Criteria. LTIPs are contingent profits interests in Lazard Group which, once vested, are exchangeable for shares of Class A common stock. The target number of shares of Class A common stock subject to each LTIP is one. Based on the extent of the achievement of the applicable performance criteria, as confirmed by the Compensation Committee, the number of shares of Class A common stock that may be received in respect of the LTIPs awarded will range from zero to three times the target number of shares of Class A common stock subject to the LTIPs. LTIPs for the 2012 compensation cycle are expected to be granted in early 2013 and will relate to our performance over the three-year period beginning on January 1, 2012 and

Table of Contents

ending on December 31, 2014. Unless threshold performance levels are satisfied during this period, all such LTIPs will be forfeited, and the applicable executive officers will not be entitled to any payments or benefits with respect to such awards. Our performance during the current fiscal year, as well as the 2013 and 2014 fiscal years, will affect the benefit ultimately received by recipients of LTIPs granted in early 2013.

Generally, each of the three performance metrics (i.e., VARGR, SRR and OLR) will be weighted equally over the entire performance period and for each fiscal year within the performance period; however, in the event that operating revenue for the final fiscal year of the performance period is less than or equal to operating revenue for the fiscal year immediately preceding the start of the performance period, VARGR and SRR will each be weighted 50% for the entire performance period, and OLR will not apply for the performance period. Similarly, in the event that operating revenue for a given fiscal year is less than or equal to that of the preceding fiscal year, VARGR and SRR will each be weighted 50% for that year, and OLR will not apply for that year. The determination of the number of LTIPs that may ultimately vest under each award generally will be based on the Company's cumulative performance over the three-year performance period, but if the Company achieves a score of at least 1.0 (as determined in the manner set forth below) with respect to any fiscal year, as confirmed by the Compensation Committee, then 25% of the total target number of shares of Class A common stock subject to the LTIPs will no longer be at risk based on achievement of the performance criteria. Any such LTIPs will remain subject to the other vesting criteria described herein (and the total payout with respect to such LTIPs could increase based on the performance over the performance period).

The scoring set forth below corresponds directly to the level of achievement of performance goals. For example, the achievement of a score of 1.33 for the cumulative three-year performance period translates into payout of the LTIP award at 1.33 times the target level (subject to achievement of the other vesting conditions described herein).

Volatility-Adjusted Revenue Growth Ratio. In order to determine our VARGR score for the three-year performance period, we first establish our compound annual operating revenue growth rate for the entire performance period. We then divide such annual growth rate by the historical volatility of our compound annual operating revenue growth rate, i.e., the historical standard deviation in our compound annual operating revenue growth rate, over the preceding ten-year period.

Our VARGR must be measured against an appropriate benchmark so that our VARGR score is not inappropriately affected (positively or negatively) by temporary macroeconomic or market trends or events, among other things. For LTIPs granted in connection with the 2012 compensation cycle, the benchmark is the price component of the MSCI World Index.

We establish the compound annual growth rate of the price component of the MSCI World Index for the entire performance period, and divide such compound annual growth rate by the historical standard deviation in the compound annual growth rate of the price component of the MSCI World Index, or the MSCI World Standard Deviation, over the preceding ten-year period. We refer to the result of this quotient as the MSCI World VAGR.

Finally, we create a reference range of values for the determination of our VARGR score by adding and subtracting a value, or the Range Value, to and from the MSCI World VAGR. The Range Value is equal to 1 (i.e., the standard deviation of the MSCI World VAGR). A VARGR score is determined for the performance period in light of our VARGR for the performance period relative to the reference range and the score thresholds in the table set forth below.

| | Score Threshold |
|---|----------------------------|
| VARGR | |
| VARGR ³ MSCI World VAGR + Range Value | 3.00 |
| VARGR ³ MSCI World VAGR | 1.33 |
| MSCI World VAGR > VARGR | 0.67 |
| MSCI World VAGR - Range Value > VARGR | 0.00 |

Table of Contents

In order to determine our VARGR score for a given fiscal year, we utilize the same methodology described above, but we use our operating revenue growth rate for the fiscal year and the growth rate of the price component of the MSCI World Index for the fiscal year, in contrast to compound annual growth rates. A VARGR score is determined for the fiscal year in accordance with the methodology described above.

Once a VARGR score has been determined, we believe that it is important to consider not just our performance relative to the market, but we also believe that our VARGR score must be considered in light of the VARGRs of our peers for the relevant period, in each case, determining such peer VARGRs using the most appropriate revenue statistic and calculating such peer VARGRs in the manner described above. For LTIPs granted in connection with the 2012 compensation cycle, we expect that the Company's comparison group for purposes of the VARGR metric will consist of Bank of America Merrill Lynch, Citi, Credit Suisse, Deutsche Bank, Evercore, Goldman Sachs, Greenhill, Jefferies, JP Morgan, Morgan Stanley and UBS. The Compensation Committee then will determine whether our VARGR for the relevant period ranks within the top third, the middle third or the bottom third of our comparison group of companies. Based upon this ranking, the Compensation Committee will assign a final VARGR score within the range.

We believe that the VARGR performance metric aligns directly with our objective of achieving revenue growth while simultaneously limiting volatility in order to promote consistent, high-quality revenue growth over time.

Shareholder Return Ratio. In order to determine our SRR score for the three-year performance period, we first establish our SRR for each fiscal year during the performance period. In order to determine our SRR for each fiscal year, we divide (i) the sum of the aggregate value of dividends paid to our shareholders and the aggregate distributions by Lazard Group to its members (other than our subsidiaries) for the relevant fiscal year and the aggregate amount of funds used for equity (including Lazard Group membership interest) buybacks during such fiscal year by (ii) the sum of (A) our net income for such fiscal year, which will be calculated in the adjusted manner set forth in our annual earnings release for such fiscal year, rather than in the manner prescribed by GAAP, and (B) the amortization of prior year-end deferred compensation awards recorded during such fiscal year (less the value of RSUs withheld to satisfy tax obligations and the amounts used to fund investments made in respect of Lazard Fund Interest awards). A score is determined for the entire three-year performance period based on the average SRR for each fiscal year relative to the score thresholds in the table set forth below. A score is determined for each fiscal year based on the SRR for that fiscal year relative to the score thresholds in the table set forth below.

| SRR | Score Threshold |
|------------------|--------------------|
| ³ 60% | 3.00 |
| ³ 50% | 1.33 |
| ³ 40% | 0.67 |
| < 40% | 0.00 |

We believe that the SRR performance metric aligns directly with our objective of returning excess cash to our shareholders.

Operational Leverage Ratio. In order to determine our OLR for the entire three-year performance period, we divide our pre-tax earnings growth rate over the performance period by our operating revenue growth rate over the performance period. In order to determine our OLR for each fiscal year, we divide our pre-tax earnings growth rate for the relevant fiscal year by our operating revenue growth rate for such fiscal year. Growth rates for the entire three-year performance period are determined by comparing pre-tax earnings and operating revenue for the final fiscal year of the performance period to our pre-tax earnings and operating revenue for the fiscal year immediately preceding the performance period. Growth rates for each fiscal year are determined by comparing pre-tax earnings and operating revenue for the relevant fiscal year to pre-tax earnings and operating revenue for the previous fiscal year. For purposes of this measurement, we determine our pre-tax earnings growth rate using the regular method for calculating pre-tax earnings, but (i) instead of using our compensation expense determined in accordance with GAAP,

Table of Contents

we will use our awarded compensation expense (adjusted to exclude certain one-time, non-recurring items and special compensation grants) for the relevant fiscal year and (ii) our interest expense and non-compensation expense for the relevant fiscal year will be calculated in the adjusted manner set forth in our annual earnings release for such fiscal year, rather than in the manner prescribed by GAAP. See Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our 2011 Annual Report on Form 10-K for a description of the calculation of awarded compensation based on our audited financial statements. We believe that awarded compensation expense is a more relevant measure than GAAP compensation expense, because awarded compensation expense reflects the actual cost of compensation (i.e., what we actually expect to pay our employees) each year. Accordingly, we believe it is a more effective way to manage our business. A score is determined for the entire three-year performance period (if operating revenue increases over such period) based on the OLR for that period relative to the score thresholds in the table set forth below. A score is determined for each fiscal year (if operating revenue increases over such year) based on the OLR for the given year relative to the score thresholds in the table set forth below.

| OLR | Score |
|------------------|-------|
| Threshold | |
| ³ 2.0 | 3.00 |
| ³ 1.5 | 1.33 |
| ³ 1.0 | 0.67 |
| < 1.0 | 0.00 |

We believe that the OLR performance metric aligns directly with our objective of managing our compensation and other expenses and increasing our operating leverage through cost discipline.

Service-Based Vesting Criteria. In addition to achievement of the performance criteria described above, the LTIPs also will be subject to service-based vesting criteria and will vest on dates that are consistent with the vesting dates associated with other deferred equity awards granted in connection with the applicable compensation cycle. Subject to certain exceptions described below and in addition to the other vesting criteria in order for the LTIPs to vest and be exchangeable for shares of Class A common stock, the holder must remain employed by us until the applicable vesting date.

Treatment of Cash Distributions. If Lazard Group pays ordinary quarterly cash distributions to its members on or following the grant date of an LTIP and before the vesting of such LTIP, an LTIP holder's ratable share of such dividends will be allocated to the holder's capital account, but only with respect to the target number of LTIPs that a holder may earn. A holder will not be entitled to such amounts unless and until the applicable LTIPs vest, at which time such amounts will be settled in cash (less any applicable tax distributions received by the LTIP holder prior to such time).

Consequences of a Change of Control and Certain Termination Events. The vesting of LTIP awards will be accelerated in the event that we experience a change of control prior to the end of a performance or service period, in which case both service-based vesting conditions and the performance criteria described above will no longer apply. If a change of control occurs prior to the end of the performance period, unvested awards will immediately vest at the greater of (i) target level performance and (ii) the actual performance level achieved from the start of the performance period through the date of the change of control, with the level of achievement for any partial fiscal year based on the Compensation Committee's good faith determination. In the event that a holder's employment is terminated by the Company without cause (which, in the case of the applicable executive officer, would include an involuntary reduction in position) or due to death or disability, LTIPs will vest, in the case of death, immediately upon completion of the performance period, and otherwise, at the close of the applicable service period, in each case, based on (i) the actual performance level achieved from the start of the performance period through the last day of the most recent fiscal quarter preceding the date of termination (or, if the date of termination occurs more than halfway through a fiscal quarter, the last day of such fiscal quarter), or

Table of Contents

the measurement date, and (ii) the target level from the measurement date through