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CHENIERE ENERGY INC  
Form S-3  
May 15, 2003

As filed with the Securities and Exchange Commission on May 15, 2003

Registration No. 333-\_\_\_\_\_

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM S-3  
REGISTRATION STATEMENT  
UNDER THE SECURITIES ACT OF 1933

CHENIERE ENERGY, INC.  
(Exact Name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of  
incorporation or organization)

95-4352386 (I.R.S. Employer  
Identification No.)

333 Clay Street, Suite 3400  
Houston, Texas 77002-4102  
(713) 659-1361  
(Address, including zip  
code, and telephone number, including area code, of  
registrant's principal executive offices)

Charif Souki  
President and Chairman of the Board  
Cheniere Energy, Inc.  
333 Clay Street, Suite 3400  
Houston, Texas 77002-4102  
(713) 659-1361  
(Name, address, including zip  
code, and telephone number, including area code,  
of agent for service)

Copies to:  
Michael Overman  
Andrews & Kurth L.L.P.  
600 Travis, Suite 4200  
Houston, Texas 77002  
(713) 220-4200

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this Registration Statement, as determined in light of market conditions and other factors.

If the only securities being registered on this form are to be offered pursuant to dividend or interest reinvestment plans, please check the following box. [ ]

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. [X]

If this form is filed to register additional securities for an offering pursuant

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to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per share	Proposed maximum aggregate offering price
Common Stock, par value \$.003 per share	1,542,892	\$2.050/(1)/	\$3,162,929
Common Stock, par value \$.003 per share, to be issued upon exercise of warrants	1,870,000/(2)/	\$2.275/(3)/	\$4,254,250
Total -----	3,412,892		\$7,417,179

- (1) Estimated solely for the purpose of computing the amount of the registration fee, based on the average of the high and low prices for our common stock as reported on The American Stock Exchange on May 13, 2003, in accordance with Rule 457(c) under the Securities Act of 1933.
- (2) Represents the number of shares issuable upon the exercise of warrants.
- (3) Estimated solely for the purpose of computing the amount of the registration fee, based on the exercise price of the warrants in accordance with Rule 457(g).

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

The information in this prospectus is not complete and may be changed. The selling stockholder may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion

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Prospectus

May \_\_, 2003

CHENIERE ENERGY, INC.

3,412,892 SHARES OF COMMON STOCK

Par Value \$0.003 per Share

This prospectus relates to offers and sales from time to time of up to 3,412,892 shares of common stock of Cheniere Energy, Inc. by selling stockholders listed in this prospectus. Of these shares, 1,542,892 shares are held by the selling stockholders and 1,870,000 are issuable upon the exercise of warrants held by warrantholders. The selling stockholders may sell the shares of common stock at various times and in various types of transactions, including sales in the open market, sales in negotiated transactions and sales by a combination of these methods. The securities offered by this prospectus were issued to the selling stockholders in transactions exempt from registration under the Securities Act of 1933, as amended. We will not receive any proceeds from such sales by the selling stockholders but if any of the warrants are exercised, we will receive payment for the exercise price of the warrants.

Our common stock is traded on The American Stock Exchange under the symbol LNG. The last reported sales price of the common stock on The American Stock Exchange on May 14, 2003 was \$2.22 per share.

The principal executive offices of Cheniere are located at 333 Clay Street, Suite 3400, Houston, Texas 77002-4102.

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You should carefully review and consider the information under the heading "Cautionary Statement Regarding Forward-Looking Statements" beginning on page 12 and "Risk Factors" referred to on page 4 of the prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is May \_\_, 2003.

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You should rely only on the information contained in this prospectus, any prospectus supplement and the documents we have incorporated by reference. We have not authorized anyone else to give you different information. These securities are not being offered in any state or other jurisdiction that does not permit the offer. We will disclose any material changes in our affairs in an amendment to this prospectus, a prospectus supplement or a future filing with the SEC incorporated by reference in this prospectus.

In this prospectus, "Cheniere," "we," "us" and "our" refer to Cheniere Energy, Inc. and its wholly owned subsidiaries unless otherwise indicated.

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CHENIERE ENERGY, INC.

### SUMMARY

We are a Houston-based company engaged in oil and gas exploration, development and exploitation and in the development of a liquefied natural gas (LNG) receiving terminal business. The LNG receiving terminal business consists of receiving deliveries of LNG from LNG ships, processing such LNG to return it to a gaseous state and delivering such gas to pipelines for transportation to purchasers. We have historically focused on evaluating and generating drilling prospects using a regional and integrated approach with a large seismic database as a platform. We expect that our active interpretation of seismic data and generation of prospects will continue, though our participation in the drilling of wells will be accomplished through farm-out arrangements and back-in interests (a reversionary interest in oil and gas leases reserved by us), whereby the capital costs of such activities are borne by industry partners. We are currently focusing, and we expect to continue to focus, on the development of our LNG receiving terminal business.

We were formed in 1996 to fund the acquisition of a proprietary seismic database along the transition zone (the area approximately 3-5 miles on either side of the Gulf of Mexico shore line) in Cameron Parish, Louisiana. The 228-square-mile survey was acquired jointly by us and an industry partner and initial processing was completed during 1997. Interpretation of the data yielded drilling prospects located onshore and in the state and federal waters of offshore Louisiana. In 2001, we purchased all rights to the database and concurrently sold the database to a seismic data marketing firm retaining an interest in the proceeds of any licensing transactions. We subsequently sold our remaining interest in the future licensing proceeds to the marketing company. We have retained a license to the entire database and will continue to utilize it in our exploration program.

On September 15, 2000 we reached an agreement with Warburg, Pincus Equity Partners, L.P., a global private equity fund based in New York, to fund exploration and development in the shallow waters offshore Louisiana through a newly formed private corporation, Gryphon Exploration Company (Gryphon). We contributed to Gryphon: (i) our license to seismic data covering the shallow waters offshore Louisiana in the Gulf of Mexico; (ii) our interest in a Joint Exploration Agreement with Samson Offshore Company; (iii) certain offshore leases, including a prospect we were drilling offshore Louisiana, and (iv) certain other assets, in exchange for all of the common stock of Gryphon and cash. Warburg invested \$25,000,000 and received voting preferred stock, with an 8% accruing dividend, convertible at any time, at Warburg's option, into shares of Gryphon's common stock. Although we currently own 100% of Gryphon's issued and outstanding common stock, in the event that Warburg converts all or any portion of its Gryphon preferred stock to shares of Gryphon common stock, our

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percentage ownership will be significantly reduced.

We have the option, under certain circumstances, to contribute to Gryphon our proportionate share of an additional investment. To date, we have declined to participate in such cash calls, and Warburg has elected to fund our proportionate share of such cash calls reducing our percentage ownership on an as-converted basis. Our ownership percentage will be further reduced if we choose not to participate in future Gryphon cash calls.

As of March 31, 2003, Gryphon had ten wells on production. Depending on rig availability, Gryphon anticipates drilling up to fourteen exploratory wells and four development wells during 2003. Gryphon is also engaged in acquiring drilling prospects through leasing at area-wide federal and state lease sales and through farm-ins of leased acreage.

We also conduct our own exploration efforts. To ensure continued access to high quality drilling prospects, we expanded beyond the Cameron area and into the shallow waters of the Gulf of Mexico. In 2000, we acquired two licenses to approximately 6,800 square miles of seismic data in the shallow waters offshore Texas and the West Cameron area in the Gulf of Mexico in separate transactions with Seitel Data Ltd. (Seitel) and with JEBCO Seismic, L.P. (JEBCO). We made the commitment to fund the reprocessing of the entire seismic database at a cost of approximately \$8,500,000, payable in installments beginning in October 2000 and continuing through the final delivery of reprocessed data, which occurred in April 2003. The resulting new data set will provide us with a higher resolution image of the subsurface than has previously been available. In July 2001, we sold licenses to the Seitel and JEBCO seismic data to Gryphon. We retain one license to all of the seismic data for use in its exploration program. In connection with the transaction with Gryphon, we transferred 6,740 shares of Gryphon common stock to Gryphon. In March 2002, we sold an additional 51,400 shares of our Gryphon common stock to Gryphon, subject to certain repurchase options, in exchange for the payment or assumption of obligations related to the various licenses for seismic data thereby further reducing our interest in Gryphon on an as-converted basis.

Our existing data sets provide us with the framework with which to identify potential drilling prospects which may then be acquired through leasing at the area-wide federal and state lease sales and from private mineral rights owners onshore, through farm-ins (agreements whereby a third party owner of lease interests grants to us the right to earn an assignment of an interest in the lease, typically by drilling one or more wells), and through participation in industry prospects. We plan to continue to identify potential

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drilling prospects and may participate in any drilling activities by selling interests on a promoted basis to industry participants.

In 2000, we undertook a feasibility study to assess the long-term role of LNG in the natural gas markets of the United States. In 2001, we assembled a team of professionals with experience in the LNG business. In addition, we identified three sites along the Texas Gulf Coast which we believed would serve as good locations for LNG receiving terminals and we secured two of the sites through long-term lease option agreements and the third site through an option to purchase. In 2002, we engaged outside engineering, environmental and regulatory consultants and substantially completed the project design and planning phase of a project in Freeport, Texas, including the preparation of materials to be filed with the Federal Energy Regulatory Commission (FERC). The design work, the federal and state regulatory coordination, and the 13 resource reports which comprise the environmental filing to the FERC were substantially completed

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during the year. The FERC filing was submitted in March 2003. We have also identified and secured a fourth potential site through a long-term lease option.

In August 2002, we entered into a Contribution Agreement with entities controlled by Michael S. Smith providing for the formation of a limited partnership, Freeport LNG Development, L.P. (Development) to develop the Freeport LNG receiving terminal. Under the terms of the Contribution Agreement, we contributed our site lease option at Freeport, our technical expertise and know-how, and all of the work in progress related to the Freeport project in exchange for a 40% interest in Development. Michael S. Smith, through a controlled entity, Freeport LNG Investments, LLC (Investments), will pay certain amounts to us in cash in installments and contribute up to \$9,000,000 to fund Freeport project expenses before any additional contributions may be required of us. The transaction was consummated in February 2003. In March 2003, pursuant to an existing option agreement, we sold an additional ten percent (10%) limited partner interest in Development to a third party.

Cheniere has been publicly traded since July 3, 1996 under the name Cheniere Energy, Inc. Our corporate offices are located at 333 Clay Street, Suite 3400, Houston, Texas 77002, and our telephone number is (713) 659-1361.

### Business Strategy

Our objective is to develop our LNG receiving terminal business and to expand the net value of our assets by building an oil and gas reserve base in a cost-efficient manner, through our investment in Gryphon and through exploitation of our seismic database to facilitate identifying drilling prospects.

We have assembled a team of professionals with extensive experience in the LNG industry. We have researched the LNG opportunity, developed a plan to exploit the opportunity and initiated the process of identifying and securing sites for LNG receiving terminals as well as undertaking the necessary regulatory and permitting work to advance the project. A substantial portion of the time and attention of our employees is currently focused on developing LNG terminals.

The key to success in the exploration and production business is ensuring that dollars invested add incremental reserve value. Simply put, the cost of finding oil and gas must be less than the value received from the sale of those reserves.

We are attempting to identify and acquire prospects. We employ a technical approach in the prospect generation and evaluation process to manage the risk of exploration drilling. That approach integrates 3D seismic, geologic and engineering data over large areas. Our technical understanding is translated into prospect capture in three ways: participation in industry prospects, farm-ins (agreements whereby a third party owner of lease interests grants to us the right to earn an assignment of an interest in the lease, typically by drilling one or more wells) on industry acreage and purchase of open leases.

We operate on the Gulf of Mexico shelf (less than 300 feet of water depth) and in adjacent onshore coastal regions. We have elected to operate in this area because the Gulf is a proven producing area where improved technology can help find previously undiscovered fields.

### LNG Receiving Terminals

We believe that the demand for natural gas in the United States over the next five to ten years will grow at a rate that domestic exploration activities will not be able to satisfy and that the resulting imbalance will necessitate the importation of natural gas into the United States in the form of LNG. The LNG receiving capacity in the United States at present is quite limited. We believe

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that additional LNG receiving capacity will be required, and we have undertaken to secure sites which we believe will be viable locations for such facilities considering such factors as deep water access, existing pipeline infrastructure and governmental and regulatory

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environments. We have identified four such sites and have secured three of them through long-term lease options and have an option to purchase the third site.

We have been developing our LNG business since late 2000 and have made substantial progress. After completing a U.S. gas market study and preliminary terminal location study in 2000, we decided to focus on developing terminals on the Texas and Louisiana Gulf Coast. Texas offers several important advantages, including (i) it is the largest natural gas-consuming state in the United States, (ii) the government and general population are familiar with and supportive of the energy industry, (iii) with the expected decline in production, Texas will have under-utilized intrastate and interstate pipelines with access to premium Midwest, Northeast, Mid-Atlantic and Southeast markets, and (iv) Texas has an extended coast providing a number of ports with adequate facilities for such a terminal. Louisiana, the third largest gas consuming state in the United States, offers otherwise identical advantages.

Initially, through our participation in Development, we plan to permit the Freeport site in late 2003 or early 2004. We have commenced development of our Freeport, Texas site by (i) completing a feasibility study, (ii) initiating the preparation of forms and collection of information for the permitting and Federal Energy Regulatory Commission related filings, (iii) meeting with local agencies and planners and (iv) conducting preliminary discussions concerning the financing of the project. In order to exploit the opportunity to develop an LNG receiving terminal in Freeport, Development will need to obtain additional equity or debt financing. Assuming prompt regulatory approvals and adequate financing, and subject to all of the risks inherent in a new venture of this type, construction of the first terminal could commence as early as 2004 with LNG being imported in 2007. However, there can be no assurance whether or when such regulatory approvals and financing may be obtained.

### Technical Approach to Exploration

To be successful we must drill prospects with favorable risk/reward characteristics. The technical approach we use to generate and evaluate drilling prospects distinguishes us from many of our competitors. The approach is regional and integrated, and it utilizes reprocessed 3D seismic data.

A regional 3D seismic approach to prospecting is distinguished from a postage stamp approach, whereby a company owns scattered patches of 3D data coincident with its leases. The understanding gained from each postage stamp cannot be extended laterally as a means of identifying prospective drilling areas. Regional 3D coverage, however, provides a blanket coverage that permits the study of all of the successes (producing fields) and all of the failures (dry holes) as a means of determining what works and what does not in a given area.

An interdisciplinary approach is critical in reducing the risk of dry holes. Subsurface geology and field engineering data must be integrated together with 3D data interpretations to develop as complete a picture as is possible. This approach is time consuming, but we have made a commitment to perform the necessary technical work up front as a means of reducing dry hole expenditures.

### Drilling Activities

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Our exploration team generated and captured 16 prospects during 2001 and 2002 and sold interests in 14 of the prospects to industry partners, retaining various overriding royalty interests and working interests ranging from an overriding royalty interest (a share of the hydrocarbons produced from an oil and gas property, free of the expense of production) of less than 1% to a carried working interest (an agreement whereby we retain an interest in a well but bear none, or only a portion of the cost of drilling the initial well) of approximately 24%. Seven of the prospects sold during 2001 and 2002 have been drilled by its industry partners, and we expect that the remaining prospects sold during those years will be drilled by our industry partners during 2003, but we do not serve as operator of the wells and do not control the timing of such drilling activities.

All of our drilling activities have been conducted through arrangements with independent contractors. We own no drilling equipment. During 2001, we did not participate in the drilling of any wells. In 2002, we did not participate directly in the drilling of any wells. Eight wells, however, were drilled during the year by our industry partners on prospects generated by us. Six of the eight wells were productive. We do not have a cost-bearing interest in the wells; we hold overriding royalty interests (0.7% to 3.7%), some of which are convertible into working interests of 8.4% at payout.

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### RISK FACTORS

WE ARE SUBJECT TO THE EXPENSES, DIFFICULTIES AND UNCERTAINTIES GENERALLY ASSOCIATED WITH EARLY STAGE COMPANIES.

We have a limited operating history with respect to our oil and gas exploration activities, and we have not yet started operating any LNG receiving facilities. We face all of the risks inherent in the establishment and growth of any new business. From our inception we have incurred losses and may continue to incur losses, depending on whether we generate sufficient revenue either from producing reserves acquired through acquisitions or drilling activities or from the eventual commencement of LNG receiving operations. We may be unable to implement and complete our business plan, and our business may be ultimately unsuccessful. These factors make evaluating our business and forecasting our future operating results difficult. Furthermore, any continued losses and any delays in the implementation or completion of our business plan may have a material adverse effect on our business, our results of operations, our financial condition and the market price of our common stock.

OUR FUTURE GROWTH AND PROFITABILITY ARE HIGHLY DEPENDENT ON THE SUCCESS OF OUR EXPLORATION PROGRAM AND THE DEVELOPMENT OF OUR LNG RECEIVING TERMINAL BUSINESS.

The primary focus of our operations has been identifying drilling prospects, but we are also currently focusing on developing our LNG receiving facilities. Almost all of our assets are represented by investments to date in our exploration program, including the seismic data related thereto. Through our drilling in 1999 through 2003, to date, we have established only limited proved reserves (oil and gas reserves that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions). Furthermore, we have achieved only limited oil and gas production as of the date of this prospectus. Our future growth and profitability therefore depend heavily on the success of our exploration program in locating additional proved reserves and achieving additional oil and gas production or the development of our LNG receiving facilities. Failure to locate such additional reserves and to achieve additional production may have a material adverse effect on our business,



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results of operations and financial condition.

FAILURE TO OBTAIN APPROVALS AND PERMITS FROM GOVERNMENTAL AND REGULATORY AGENCIES WITH RESPECT TO OUR LNG PROJECT COULD HAVE A DETRIMENTAL EFFECT ON THE PROJECT AND ON OUR COMPANY.

We are currently focusing on developing our LNG receiving facilities. The transportation of LNG is highly regulated, and we have yet to obtain several governmental and regulatory approvals and permits required in order to complete and maintain our LNG project. We estimate that it may take two to three years of work to obtain the approvals and permits necessary to proceed with the construction and operation of an LNG receiving terminal. We have no control over the outcome of the review and approval process. If we are unable to obtain the approvals and permits, we may not be able to recover our investment in the project. In addition, failure to obtain these approvals and permits may have a material adverse effect on our business, results of operations and financial condition.

FAILURE OF LNG TO BECOME A COMPETITIVE FACTOR IN THE UNITED STATES OIL AND GAS INDUSTRY COULD HAVE A DETRIMENTAL EFFECT ON OUR ABILITY TO IMPLEMENT AND COMPLETE OUR BUSINESS PLAN.

In the United States, due mainly to an abundant supply of natural gas, LNG has not historically been a major energy source. Furthermore, LNG may not become a competitive factor in the United States oil and gas industry. The failure of LNG to become a competitive supply alternative to domestic natural gas and other import alternatives may have a material adverse effect on our ability to implement and complete our business plan as well as our business, results of operations and financial condition.

WE MAY NOT BE ABLE TO OBTAIN ADDITIONAL FINANCING ON TERMS THAT ARE ACCEPTABLE TO US, WHICH COULD HARM OUR ABILITY TO CONDUCT BUSINESS.

As of March 31, 2003, we had \$2,388,445 of current assets and a working capital deficit of \$751,825. Because of our low level of current assets, we may need additional capital for a number of purposes. If we are unable to obtain additional financing, it could significantly harm our ability to conduct our business, including our ability to take advantage of opportunities that come from our exploration program and our ability to construct LNG terminals. Our needs for additional financing include the following:

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- . Additional capital may be required to pay for our share of costs relating to the drilling of prospects and development of those that are successful, to exercise lease options, and to acquire additional oil and gas leases. The total amount of our capital needs will be determined in part by the number of prospects generated within our exploration program, by the working interest that we retain in those prospects and by our ability to identify partners willing to bear a portion of drilling costs which would otherwise be attributable to us.
- . We may need capital to fund our pro-rata share of the capital calls by Gryphon that are approved by Gryphon's board of directors. If we subscribe to our pro-rata portion of such capital calls but fail to fund, we would lose our ability to subscribe to any future capital calls and would suffer further dilution of our holdings in Gryphon. In 2002, Gryphon made cash calls in the aggregate amount of \$30,000,000, which were funded entirely by Warburg, in March, June, September and November 2002. We declined to participate in these cash calls and our

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interest in Gryphon has been reduced from 20.2% to 9.3% on an as-converted basis, as of March 31, 2003. It is anticipated that Gryphon will make cash calls for additional funds. Our share of such future capital calls could total up to approximately \$1,400,000. If we elect not to fund our pro-rata portion of such capital calls, and Warburg funds its portion, as they would be entitled to do, and as they have since the formation of Gryphon, our ownership percentage of Gryphon's common stock on an as-converted basis will be further reduced (as low as 8%).

- . We will need substantial additional funds to execute our plan for developing and implementing an LNG receiving terminal business, including engineering, environmental, marine, regulatory, construction and legal work, including any such work involved in permitting and FERC filings related to our development of a second and third potential site. Such costs are estimated to be approximately \$3,000,000 per year for each terminal to be developed.

Additional capital could be obtained from a combination of funding sources, many of which may have a material adverse effect on our business, results of operations and financial condition. These potential funding sources include:

- . cash flow from operating activities, which is sensitive to prices we receive for our oil and natural gas,
- . borrowings from financial institutions, which may subject us to certain restrictive covenants, including covenants restricting our ability to raise additional capital or pay dividends,
- . debt offerings, which would increase our leverage and add to our need for cash to service such debt,
- . additional offerings of our equity securities, which would cause dilution of our common stock,
- . sales of portions of our working interest in the prospects within our exploration program, which would reduce future revenues from our exploration program,
- . sale to an industry partner of a participation in our exploration program, which would reduce future revenues from our exploration program,
- . sale of all or a portion of our producing oil and gas properties, which would reduce future revenues,
- . additional sales of interests in our LNG projects, and
- . arrangement of a business development loan from, or prepayment of terminal use fees by, prospective sellers or purchasers of LNG.

Our ability to raise additional capital will depend on our results of operations and the status of various capital and industry markets at the time such additional capital is sought. Accordingly, capital may not become available to us from any particular source or at all. Even if additional capital becomes available, it may not be on terms acceptable to us. Failure to obtain additional financing on acceptable terms may have a material adverse effect on our business, results of operations and financial condition.

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BECAUSE OF OUR LACK OF DIVERSIFICATION, FACTORS HARMING THE OIL AND GAS INDUSTRY IN GENERAL, INCLUDING DOWNTURNS IN PRICES FOR OIL AND GAS, WOULD BE ESPECIALLY HARMFUL TO US.

We are an independent energy company and are not actively engaged in any other industry. Our revenues and results of operation are substantially dependent on the oil and gas industry in general and the prevailing prices for oil and gas in particular. Circumstances that harm the oil and gas industry in general will have an especially harmful effect on us. Oil and gas prices have been and are likely to continue to be volatile and subject to wide fluctuations in response to any of the following factors:

- . relatively minor changes in the supply of and demand for oil and gas;
- . political conditions in international oil producing regions;
- . the extent of domestic production and importation of oil in relevant markets;
- . the level of consumer demand;
- . weather conditions;
- . the competitive position of oil or gas as a source of energy as compared with other energy sources;
- . the refining capacity of oil purchasers; and
- . the effect of federal and state regulation on the production, transportation and sale of oil and gas.

It is likely that adverse changes in the oil market or the regulatory environment would have an adverse effect on our business, results of operations and financial condition, including our ability to develop and implement our LNG project and to obtain capital from lending institutions, industry participants, private or public investors or other sources.

WE EXPERIENCE INTENSE COMPETITION IN THE OIL AND GAS INDUSTRY, WHICH MAY MAKE IT DIFFICULT FOR US TO SUCCEED.

The oil and gas industry is highly competitive. If we are unable to compete effectively, we will not succeed. A number of factors may give our competitors advantages over us. For example, most of our current and potential competitors have significantly greater financial resources and a significantly greater number of experienced and trained managerial and technical personnel than we do. In addition, the businesses of such competitors are in many cases more diversified than ours. We may not be able to compete effectively with such companies. Moreover, the oil and gas industry competes with other industries in supplying the energy and fuel needs of industrial, commercial and other consumers. Increased competition causing over supply and depressed prices could have a substantially negative impact on our operating revenues.

WE ARE SUBJECT TO FLUCTUATIONS IN ENERGY PRICES OR SUPPLY OF LIQUEFIED NATURAL GAS THAT WOULD BE PARTICULARLY HARMFUL TO OUR LNG RECEIVING TERMINALS BUSINESS BECAUSE OF ITS DEVELOPMENTAL STAGE.

If LNG prices are higher than prices of domestically produced natural gas or natural gas derived from other sources, our ability to compete with such suppliers may be negatively impacted. In addition, in the event the supply of LNG is limited or restricted for any reason, our ability to profitably operate an LNG receiving facility could be materially impacted. Revenues generated by an

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LNG receiving terminal depend on the volume of LNG processed and the price of the natural gas produced, both of which can be affected by the price of natural gas and natural gas liquids.

WE ARE SUBJECT TO SIGNIFICANT OPERATING HAZARDS AND UNINSURED RISKS, ONE OR MORE OF WHICH MAY CREATE SIGNIFICANT LIABILITIES FOR US.

Our oil and gas operations are subject to all of the risks and hazards typically associated with the exploration for, and the development and production of, oil and gas. In accordance with customary industry practices, we intend to maintain insurance against some, but not

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all, of these risks and losses. Moreover, we may not be able to maintain adequate insurance in the future at rates we consider reasonable. The occurrence of a significant event not fully insured or indemnified against could seriously harm our business, results of operations and financial condition.

Risks in drilling operations include cratering, explosions, uncontrollable flows of oil, gas or well fluids, fires, pollution and other environmental risks. Our activities are also subject to perils specific to marine operations, such as capsizing, collision and damage or loss from severe weather. These hazards can cause personal injury and loss of life, severe damage to and destruction of property and equipment, pollution or environmental damage and suspension of operations.

In the event we complete the LNG receiving terminal, the operations of such facility will be subject to the inherent risks normally associated with those operations, including explosions, pollution, release of toxic substances, fires, hurricanes and adverse weather conditions and other hazards, each of which could result in damage to or destruction of our facilities or damage to persons and property. In addition, our operations face possible risks associated with acts of aggression on our assets. If any of these events were to occur, we could suffer substantial losses. We will maintain insurance against these types of risks to the extent and in the amounts that we believe are reasonable. Our financial condition and operations could be adversely affected if a significant event occurs that is not fully covered by insurance.

WE ARE SUBJECT TO SIGNIFICANT EXPLORATION RISKS, INCLUDING THE RISK THAT WE MAY NOT BE ABLE TO FIND OR PRODUCE ENOUGH OIL AND GAS TO GENERATE ANY PROFITS.

Our exploration activities involve significant risks, including the risk that we may not be able to find or produce enough oil and gas to generate any profits. The wells we drill may not discover any oil or gas. Further, there is no way to know in advance of drilling and testing whether any prospect will yield oil or gas in sufficient quantities to make money for us. In addition, we are highly dependent on seismic activity and the related application of new technology as a primary exploration methodology. This methodology, however, requires greater pre-drilling expenditures than traditional drilling strategies. Even when fully used and properly interpreted, 3D seismic data can only assist us in identifying subsurface reservoirs and hydrocarbon indicators, and will not allow us to determine conclusively if hydrocarbons will in fact be present and recoverable. If our exploration efforts are unsuccessful, our business and financial condition will be substantially harmed.

WE MAY NOT BE ABLE TO ACQUIRE THE OIL AND GAS LEASES WE NEED TO SUSTAIN PROFITABLE OPERATIONS.

In order to engage in oil and gas exploration in the areas covered by our 3D

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seismic data, we must first acquire rights to conduct exploration and recovery activities on such properties. We may not be successful in acquiring farm-outs (agreements whereby the owner of lease interests grants to a third party the right to earn an assignment of an interest in the lease, typically by drilling one or more wells), seismic permits, lease options, leases or other rights to explore for or recover oil and gas. Both the United States Department of the Interior and the States of Texas and Louisiana award oil and gas leases on a competitive bidding basis. Non-governmental owners of the onshore mineral interests within the area covered by our exploration program are not obligated to lease their mineral rights to us except where we have already obtained lease options. In addition, other major and independent oil and gas companies with financial resources significantly greater than ours may bid against us for the purchase of oil and gas leases. If we are unsuccessful in acquiring these leases, permits, options and other interests, the area covered by our 3D seismic data that could be explored through drilling will be significantly reduced, and our business, results of operations and financial condition will be substantially harmed.

IF WE ARE UNABLE TO OBTAIN SATISFACTORY TURNKEY CONTRACTS, WE MAY HAVE TO ASSUME ADDITIONAL RISKS AND EXPENSES WHEN DRILLING WELLS.

We anticipate that any wells drilled in which we have an interest will be drilled by established industry contractors under turnkey contracts that limit our financial and legal exposure. Under a turnkey drilling contract, a negotiated price is agreed upon and the money placed in escrow. The contractor then assumes all of the risk and expense, including any cost overruns, of drilling a well to contract depth and completing any agreed upon evaluation of the wellbore. Upon performance of all these items, the escrowed money is released to the contractor.

Circumstances may arise, however, where a turnkey contract is not economically beneficial to us or is otherwise unobtainable from proven industry contractors. In such instances, we may decide to drill wells on a day-rate basis. Under a day-rate drilling contract, the operator pays an agreed sum for each day of drilling required to reach contract depth. All risk and expense of drilling a well to total

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depths lies with the operator in day-rate contracts. The drilling of such test wells would subject us to the usual drilling hazards such as cratering, explosions, uncontrollable flows of oil, gas or well fluids, fires, pollution and other environmental risks. We would also be liable for any cost overruns attributable to drilling problems that otherwise would have been covered by a turnkey contract. These liabilities, if incurred, may have a materially adverse impact on our business and financial condition.

EXISTING AND FUTURE UNITED STATES GOVERNMENTAL REGULATION, TAXATION AND PRICE CONTROLS COULD SERIOUSLY HARM US.

Oil and gas operations are subject to extensive federal, state and local laws and regulations that regulate the discharge of materials into the environment or otherwise relate to the protection of the environment.

Failure to comply with such rules and regulations can result in substantial penalties and may harm us. Present, as well as future, legislation and regulations could cause additional expenditures, restrictions and delays in our business, the extent of which cannot be predicted and which may require us to limit substantially, delay or cease operations in some circumstances. In most areas where we plan to conduct activities, there are statutory provisions

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regulating the production of oil and natural gas which may restrict the rate of production and adversely affect revenues. We plan to acquire oil and gas leases in the Gulf of Mexico, which, if acquired, would be granted by the federal government and administered by the U.S. Department of Interior Minerals Management Service. The Department strictly regulates the exploration, development and production of oil and gas reserves in the Gulf of Mexico. Such regulations could seriously harm our operations in the Gulf of Mexico. The federal government regulates the interstate transportation of oil and natural gas, through the FERC. The FERC has in the past regulated the prices at which oil and gas could be sold. Federal reenactment of price controls or increased regulation of the transport of oil and natural gas could seriously harm us.

Our operations are also subject to extensive federal, state and local laws and regulations governing the discharge of oil and hazardous materials into the environment or otherwise relating to environmental protection. These laws and regulations may require the acquisition of a permit before drilling commences, restrict or prohibit the types, quantities and concentration of substances that can be released into the environment or wastes that can be disposed of in connection with drilling and production activities, prohibit drilling activities on certain lands lying within wetlands or other protected areas and impose substantial liabilities for pollution or releases of hazardous substances resulting from drilling and production operations. Failure to comply with these laws and regulations may also result in civil and criminal fines and penalties. Moreover, state and federal environmental laws and regulations may become more stringent.

Federal laws and regulations such as the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), the Clean Air Act ("CAA"), the Oil Pollution Act of 1990 ("OPA") and the Clean Water Act ("CWA") and analogous state laws have continually imposed increasingly strict requirements for water and air pollution control, solid waste management and strict financial responsibility and remedial response obligations relating to oil spill protection. The cost of complying with such environmental legislation could have a general harmful effect on our operations.

THERE IS ONLY LIMITED TRADING IN OUR COMMON STOCK, WHICH MAKES OUR STOCK MORE DIFFICULT TO SELL THAN THE STOCK OF COMPANIES WITH MORE ACTIVE MARKETS.

There is only limited trading in our common stock, which makes our stock more difficult for an investor to sell than the stock of companies with more active markets. For the year 2002, the average daily trading volume of our common stock on The American Stock Exchange was approximately 17,000 shares. This offering of the common stock is unlikely to make the trading market for our common stock any more active.

WE HAVE NOT PAID DIVIDENDS AND DO NOT EXPECT TO DO SO IN THE FORESEEABLE FUTURE, SO OUR STOCKHOLDERS WILL NOT BE ABLE TO RECEIVE A RETURN ON THEIR INVESTMENT WITHOUT SELLING THEIR SHARES.

We have not paid dividends since our inception and do not expect to in the foreseeable future, so our stockholders will not be able to receive a return on their investments without selling their shares. We presently anticipate that all earnings, if any, will be retained for development of our business. Any future dividends will be subject to the discretion of our board of directors and will depend on, among other things, future earnings, our operating and financial condition, our capital requirements and general business conditions.

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OF ADDITIONAL ISSUANCES OF SHARES.

Any issuance of common stock by us may result in a reduction in the book value per share or market price per share of our outstanding shares of common stock and will reduce the proportionate ownership and voting power of such shares. We have 45,000,000 authorized shares of stock, consisting of 40,000,000 shares of common stock, and 5,000,000 shares of preferred stock. As of May 14, 2003, approximately 63% of the shares of the common stock remained unissued. Our board of directors has the power to issue any and all of such shares without shareholder approval. It is likely that we will issue shares of common stock, among other reasons, in order to raise capital to sustain operations, and/or to finance future oil and gas exploration projects. In addition, we have reserved 3,267,844 shares of the common stock for issuance upon the exercise of outstanding warrants and 2,000,000 shares of the common stock for issuance upon the exercise of stock options. As of May 14, 2003, there were 1,732,361 issued and outstanding options to purchase common stock. To the extent that outstanding warrants and options are exercised, the percentage ownership of common stock of our stockholders will be diluted. Moreover, the terms upon which we will be able to obtain additional equity capital may be adversely affected because the holders of outstanding warrants and options can be expected to exercise them at a time when we would, in all likelihood, be able to obtain any needed capital on terms more favorable than the exercise terms provided by such outstanding securities. In the event of the exercise of a substantial number of warrants and options, within a reasonably short period of time after the right to exercise commences, the resulting increase in the amount of the common stock in the trading market could substantially adversely affect the market price of the common stock or our ability to raise money through the sale of equity securities.

WE DEPEND ON KEY PERSONNEL AND COULD BE SERIOUSLY HARMED IF WE LOST THEIR SERVICES.

We depend on our executive officers for various activities. We do not maintain key person life insurance policies on any of our personnel, nor do we have employment agreements with any of our personnel. The loss of the services of any of these individuals could seriously harm us. In addition, our future success will depend in part on our ability to attract and retain additional qualified personnel. Although we have agreements relating to compensation and benefits with certain of our executive officers, we do not have any employment contracts or other agreements with key personnel binding them to provide services for any particular term. In addition, our future success will depend in part on our ability to attract and retain additional qualified personnel. We currently have 14 full-time employees.

WE DEPEND ON INDUSTRY PARTNERS AND COULD BE SERIOUSLY HARMED IF THEY DO NOT PERFORM SATISFACTORILY, WHICH IS USUALLY NOT WITHIN OUR CONTROL.

Because we have few employees and limited operating revenues, we are and will continue to be largely dependent on industry partners for the success of our oil and gas exploration projects. We could be seriously harmed if our industry partners do not perform satisfactorily on projects that affect us. We often have and will continue to have no control over factors that would influence the performance of our partners.

WE ARE CONTROLLED BY A SMALL NUMBER OF PRINCIPAL STOCKHOLDERS WHO MAY EXERCISE A PROPORTIONATELY LARGER INFLUENCE ON US THAN OUR STOCKHOLDERS WITH SMALLER HOLDINGS.

We are controlled by a small number of principal stockholders who may do things that are not in the interests of our stockholders with smaller holdings. BSR Investments, Ltd. (BSR) is an entity controlled by the mother of Charif Souki, our chairman. BSR owns approximately 9% of our outstanding common stock.

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Accordingly, it is likely that BSR will have significant influence on the election of our directors and on our management, operations and affairs, including the ability to prevent or cause a change in control of our company.

ANTI-TAKEOVER PROVISIONS OF OUR CERTIFICATE OF INCORPORATION, BYLAWS AND DELAWARE LAW COULD ADVERSELY IMPACT A POTENTIAL ACQUISITION BY THIRD PARTIES THAT MAY ULTIMATELY BE IN THE FINANCIAL INTERESTS OF OUR STOCKHOLDERS.

Our certificate of incorporation, bylaws and the Delaware General Corporation Law contain provisions that may discourage unsolicited takeover proposals. These provisions could have the effect of inhibiting fluctuations in the market price of our shares that could result from actual or rumored takeover attempts, preventing changes in our management or limiting the price that investors may be willing to pay for shares of common stock. These provisions, among other things, authorize the board of directors to designate the terms of and to issue new series of preferred stock, to limit the personal liability of directors, to require us to indemnify directors and

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officers to the fullest extent permitted by applicable law and to impose restrictions on business combinations with some interested parties.

A SIGNIFICANT PORTION OF OUR VALUE IS DERIVED FROM OUR OWNERSHIP INTEREST IN GRYPHON, OVER WHICH WE EXERCISE NO DAY-TO-DAY CONTROL.

We own 100% of the outstanding common stock of Gryphon (9.3% effective ownership after giving effect to the conversion of Gryphon's preferred stock outstanding at December 31, 2002) and a significant portion of our value is derived from this investment. We do not exercise control over Gryphon and therefore do not have the ability to effect a change of control of Gryphon. Accordingly, Gryphon's management team could make business decisions without our consent that could impair the value of our investment in Gryphon.

WE MAY HAVE TO TAKE ACTIONS THAT ARE DISRUPTIVE TO OUR BUSINESS STRATEGY TO AVOID REGISTRATION UNDER THE INVESTMENT COMPANY ACT OF 1940.

The Investment Company Act of 1940 requires registration for companies that are engaged primarily in the business of investing, reinvesting, owning, holding or trading in securities. A company may be deemed to be an investment company if it owns investment securities with a value exceeding 40% of the value of its total assets (excluding government securities and cash items) on an unconsolidated basis, unless an exemption or safe harbor applies. Securities issued by companies other than majority-owned subsidiaries are generally counted as investment securities for purposes of the Investment Company Act. Our equity interests in Gryphon and Development could be counted as investment securities. Therefore, we could be considered an investment company in the future if we do not obtain an exemption or qualify for a safe harbor. As a result, fluctuations in the value, or the income and revenues attributable to us from our ownership, of interests in companies we do not control could cause us to be deemed an investment company. Registration as an investment company would subject us to restrictions that are inconsistent with our fundamental business strategy. We may have to take actions, including buying, refraining from buying, selling or refraining from selling securities or other assets, contrary to what we otherwise deem to be in our best interest in order to continue to avoid registration under the Investment Company Act.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other



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information with the Securities and Exchange Commission. You may read and copy any of these documents at the public reference rooms maintained by the Securities and Exchange Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the following regional offices of the Securities and Exchange Commission: New York Regional Office, 233 Broadway, New York, New York 10048, and Central Regional Office, 1801 California Street, Suite 4800, Denver, Colorado 80202. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the public reference rooms. Our filings are also available to the public from commercial documents retrieval services and at the Internet website maintained by the Securities and Exchange Commission at <http://www.sec.gov>.

Cheniere provides public access to its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to these reports filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934. These reports may be accessed free of charge through Cheniere's internet website (located at [www.cheniere.com](http://www.cheniere.com)), where the Company provides a link to the Securities and Exchange Commission's website (at [www.sec.gov](http://www.sec.gov)).

Our common stock is quoted on The American Stock Exchange. You may also read our reports, proxy and information statements and other information at the American Stock Exchange, 86 Trinity Place, New York, New York 10006.

This prospectus is part of the registration statement that we filed with the Securities and Exchange Commission to register the shares of common stock referred to above being offered. This prospectus does not contain important information that you can find in our registration statement and in the annual, quarterly and special reports, proxy statements and other documents that we file with the Securities and Exchange Commission.

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### INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The Securities and Exchange Commission allows us to incorporate by reference the information we file with it, which means that we can disclose in this prospectus important information to you by referring you to other documents that have been or will be filed with the Securities and Exchange Commission. The information below is incorporated in this prospectus by reference and is an important part of this prospectus, except where any of the information has been modified or superseded by the information in this prospectus or in information incorporated by reference in this prospectus. Also, information that we file after the date of this prospectus with the Securities and Exchange Commission will automatically be incorporated in this prospectus and update and supersede this information. We incorporate by reference the documents listed below and any future filings made with the Securities and Exchange Commission under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until all of the securities offered by this prospectus are sold:

- . Our Annual Report on Form 10-K for the fiscal year ended December 31, 2002, as filed on March 27, 2003 (File No. 1-16383).
- . Our definitive proxy statement on Schedule 14A, as filed on April 29, 2003 (File No. 1-16383).
- . Our Quarterly Report on Form 10-Q for the quarter ended March 31, 2003, as filed on May 9, 2003 (File No. 1-16383).

We will provide you, without charge, a copy of the documents incorporated by

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reference in this prospectus. We will not provide a copy of the exhibits to documents incorporated by reference, unless those exhibits are specifically incorporated by reference into those documents. You may obtain a copy of the documents incorporated by reference in this prospectus at our website at [www.cheniere.com](http://www.cheniere.com) or by requesting them in writing or by telephone from:

Cheniere Energy, Inc.  
333 Clay Street, Suite 3400  
Houston, Texas 77002-4102  
Attn: Don A. Turkleson, Chief Financial Officer (713) 659-1361

You should rely only on the information provided or incorporated by reference in this prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of the shares in any state or other jurisdiction where the offer is not permitted. You should not assume that the information in this prospectus, in any prospectus supplement or in any document incorporated by reference herein is accurate as of any date other than the date on the front of those documents. We will disclose any material changes in our affairs in an amendment to this prospectus, a prospectus supplement or a future filing with the SEC incorporated by reference in this prospectus.

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### CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by us or on our behalf. We and our representatives may from time to time make written or verbal forward-looking statements, including statements contained in this report and other filings with the Securities and Exchange Commission and in reports to our stockholders.

Statements, other than statements of historical facts, included in this prospectus that address activities, events or developments that begin with words such as "intend," "expect," "project," "believe" or "anticipate" are forward-looking statements that are based on management's then current views and assumptions regarding future events. These statements include, among others:

- . statements regarding our business strategy, plans and objectives;
- . statements expressing beliefs and expectations regarding our ability to successfully raise the additional capital necessary to meet our obligations under our current exploration agreements;
- . statements expressing beliefs and expectations regarding our ability to secure the leases necessary to facilitate anticipated drilling activities;
- . statements expressing beliefs and expectations regarding our ability to attract additional working interest owners to participate in the exploration and development of our exploration areas;
- . statements expressing beliefs and expectations regarding the development of our LNG receiving terminal business; and
- . statements about non-historical year 2003 information.

These statements reflect our plans and assumptions about future events and are subject to uncertainties, many of which are outside our control. Actual results could differ materially from estimates and other forward-looking statements. For

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a further discussion of important factors that could affect us and cause materially different results please see the discussion under the heading Risk Factors beginning on page 4. The statements in this prospectus are made as of May 15, 2003, and the events described in the forward-looking statements might not occur or might occur to a materially different extent than described in this filing. We undertake no duty to update or revise any of our forward-looking statements contained in this prospectus, any accompanying prospectus supplement or in any documents we have incorporated by reference, whether as a result of new information, future events or otherwise.

### USE OF PROCEEDS

We will not receive any proceeds from the sale of the shares offered by this prospectus. Warrants for which the underlying common stock is being registered in this registration statement are exercisable at prices ranging from \$1.06 to \$3.00 per share. The detailed terms of our warrants are set forth under "Description of Securities - Warrants." We expect to use any proceeds we receive from the exercise of warrants for ongoing activities related to oil and gas exploration activities, development of our second and third LNG receiving terminal sites, working capital and/or general corporate purposes.

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### SELLING STOCKHOLDERS

The following table sets forth information known to us with respect to beneficial ownership of our common stock as of May 14, 2003 by each of the selling stockholders. Beneficial ownership is determined in accordance with the rules and regulations of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Information with respect to beneficial ownership is based on information as of May 14, 2003, on which we date we had outstanding an aggregate of 14,840,285 shares of common stock. Except as indicated otherwise in the footnotes below, and subject to community property laws where applicable, we believe based on information furnished by the selling stockholders that the persons named in the table below have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them. All warrants shown in the applicable column are immediately exercisable. The table assumes the sale of all shares offered hereby and no other purchases or sales of Cheniere's common stock by the selling stockholders.

Cheniere Energy, Inc.  
Selling Stockholders Table

Name of Selling Stockholder	Shares Beneficially Owned Prior to Offering		Number of Shares of Common Stock	Sh Com Un Wa P Com
	Number	Percent		
Aton Select Fund, Ltd.	150,000	1.0%	150,000	
Bald Eagle Fund, Ltd.	8,698	*	2,500	
Bank Insinger de Beaufort N.V.	37,500	*	37,500	
Bernard, Bruce	75,000	*		
Bock, Michael E.	75,000	*	6,250	
Contango Oil & Gas Company	300,000	2.0%	150,000	

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Crest Financial Limited	750,000	5.1%	750,000
Delaware Charter Guarantee & Trust Company TTEE FBO			
Anthony J. Pace	81,000	*	20,000
Economides, Michael	75,000	*	
Freeport LNG Investments, LLC	700,000	4.7%	
Gross, Jonathan S.	103,834	*	334
Henry, William	50,000	*	
Hughes, Jon C.	58,334	*	8,334
Kensington Partners, L.P.	128,444	*	18,334
McCain, Lon	37,500	*	6,250
MDC Group	163,500	1.1%	
MM & B Holdings, LLC, a Delaware limited liability company			
	551,458	3.7%	250,000
Morgens, Edwin H.	145,000	1.0%	20,000
Oligney, Ronald	75,000	*	
Petrie, Thomas A.	145,833	1.0%	20,833
Pleyel Holdings, Limited	200,000	1.3%	
Power Capital Partners LLC	50,000	*	
Reimer, Charles M.	539,643	3.6%	
Robinson Jr., Joe Sam	149,455	1.0%	69,390
Souki, Charif	444,017	3.0%	
Sutton, Nicholas J.	58,333	*	8,333
Turkleson, Don A.	161,084	1.1%	4,000
William E. Mayer Holdings, Inc.	145,834	1.0%	20,834
	-----		-----
	5,459,467		1,542,892
	=====		=====

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### ISSUANCE OF SECURITIES TO SELLING STOCKHOLDERS

The shares of common stock being registered pursuant to the registration statement of which this prospectus is a part include:

- . 792,892 shares of common stock issued in a private placement in May 2003
- . 750,000 shares of common stock issued pursuant to a settlement and purchase agreement in April 2003
- . 850,000 shares issuable upon the exercise of warrants issued pursuant to the Freeport LNG Terminal sale
- . 232,500 shares issuable upon the exercise of warrants representing the replacement of stock options to our former president in connection with the formation of Freeport
- . 337,500 shares issuable upon the exercise of warrants issued in consideration for consulting services
- . 250,000 shares issuable upon the exercise of warrants to our president and chief executive officer in connection with employment services
- . 200,000 shares issuable upon the exercise of warrants issued in conjunction with a bridge financing facility.

In May 2003, we issued 792,892 shares of common stock to seventeen investors at

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a price of \$1.50 per share pursuant to Regulation D adopted by the Securities and Exchange Commission. The purchase price of the shares included cash of \$1,189,338 and the surrender of existing warrants to purchase 792,892 shares of our common stock.

On April 15, 2003, we issued 750,000 shares of our common stock to satisfy a closing requirement related to our February 2003 sale of a 60% interest in our Freeport LNG project. The issuance was made pursuant to a contingent contractual obligation related to our settlement and purchase agreement whereby we acquired an option to lease the Freeport LNG terminal site.

In February 2003, we issued warrants to purchase 700,000 shares of common stock to Freeport LNG Investments, LLC in connection with the formation of Freeport LNG Development, L.P. The warrants are exercisable at any time on or before February 12, 2013 at a price of \$2.50 per share.

In February 2003, we issued warrants to purchase 300,000 shares of common stock to Contango Oil & Gas Company in connection with the formation of Freeport LNG Development, L.P. The warrants are exercisable at any time on or before February 26, 2013 at a price of \$2.50 per share. Contango surrendered warrants to purchase 150,000 shares of common stock in connection with its participation in Cheniere's May 2003 private placement.

In February 2003, we issued to our former president warrants to purchase 241,250 shares of common stock in exchange for existing employee stock options to purchase the same number of shares on substantially similar terms. In April 2003, warrants to purchase 8,750 expired.

In April 2002, we issued warrants to purchase 50,000 shares of common stock in connection with the sale of oil and gas properties. The warrants are exercisable at any time on or before April 22, 2007 at an exercise price of \$2.50 per share.

In August 2002, we issued to a consultant who assisted in marketing our LNG terminal capacity warrants to purchase 50,000 shares of common stock. The warrants are exercisable at any time on or before August 26, 2007 at a price of \$1.20 per share.

In December 2002, we issued to a consultant who assisted in our investor relations program warrants to purchase 12,500 shares of common stock. The warrants are exercisable at any time on or before December 19, 2007 at a price of \$1.25 per share.

In February 2003, we issued to each of three consultants who provided certain engineering and other services related to the Freeport LNG Terminal warrants to purchase 75,000 shares of common stock. The warrants are exercisable at any time on or before February 26, 2013 at a price of \$2.50 per share.

In April 2003, we issued to our president and chief executive officer warrants to purchase 250,000 shares of common stock in connection with his employment by Cheniere. The warrants are exercisable at any time on or before April 16, 2008 at an exercise price of \$1.80 per share.

In March 2002, we issued warrants to purchase 150,000 shares of common stock in conjunction with a bridge financing facility. The warrants are exercisable on or before March 7, 2012 at an exercise price of \$2.50 per share. In May 2002, we issued warrants to purchase an additional 50,000 shares of common stock in conjunction with the March 2002 bridge financing facility. The warrants are exercisable at any time on or before May 6, 2012 at an exercise price of \$2.50 per share.

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### DESCRIPTION OF SECURITIES

We have 45,000,000 authorized shares of capital stock, consisting of 40,000,000 shares of common stock, having a par value of \$0.003 per share, and 5,000,000 shares of preferred stock, having a par value of \$0.0001 per share.

#### COMMON STOCK

As of May 14, 2003, there were 14,840,285 shares of common stock outstanding. All of such outstanding shares of common stock are fully paid and nonassessable. Each share of common stock has an equal and ratable right to receive dividends when, as and if declared by the board of directors out of assets legally available therefor and subject to the dividend obligations to the holders of any preferred stock then outstanding.

In the event of our liquidation, dissolution or winding up, the holders of common stock are entitled to share equally and ratably in the assets available for distribution after payment of all liabilities, and subject to any prior rights of any holders of preferred stock that at the time may be outstanding.

The holders of common stock have no preemptive, subscription, conversion or redemption rights, and are not subject to further calls or assessments of Cheniere. There are no sinking fund provisions applicable to the common stock. Each share of common stock is entitled to one vote in the election of directors and on all other matters submitted to a vote of stockholders. Holders of common stock have no right to cumulate their votes in the election of directors.

#### PREFERRED STOCK

As of the date of this prospectus, there are no shares of preferred stock outstanding. Preferred stock may be issued from time to time in one or more series, and the board of directors, without further approval of the stockholders, is authorized to fix the dividend rates and terms, conversion rights, voting rights, redemption rights and terms, liquidation preferences and any other rights, preferences, privileges and restrictions applicable to each series of preferred stock. The purpose of authorizing the board of directors to determine such rights, preferences, privileges and restrictions is to eliminate delays associated with a stockholder vote on specific issuances. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, adversely affect the voting power of the holders of common stock and, under some circumstances, make it more difficult for a third party to gain control of Cheniere.

#### WARRANTS

As of May 14, 2003, we have issued and outstanding warrants to purchase 3,427,010 shares of common stock.

In February 2003, we issued warrants to purchase 700,000 shares of common stock to Freeport LNG Investments, LLC in connection with the formation of Freeport LNG Development, L.P. The warrants are exercisable at any time on or before February 12, 2013 at a price of \$2.50 per share.

In February 2003, we issued warrants to purchase 300,000 shares of common stock to Contango Oil & Gas Company in connection with the formation of Freeport LNG Development, L.P. The warrants are exercisable at any time on or before February 26, 2013 at a price of \$2.50 per share. Contango surrendered warrants to purchase 150,000 shares of common stock in connection with its participation in Cheniere's May 2003 private placement.

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In March 2002, we issued warrants to purchase 150,000 shares of common stock in conjunction with a bridge financing facility. The warrants are exercisable on or before March 7, 2012 at an exercise price of \$2.50 per share. In May 2002, we issued warrants to purchase an additional 50,000 shares of common stock in conjunction with the March 2002 bridge financing facility. The warrants are exercisable at any time on or before May 6, 2012 at an exercise price of \$2.50 per share.

The warrants do not confer upon the holders thereof any voting or other rights of stockholders.

### POSSIBLE ANTI-TAKEOVER PROVISIONS

Our amended and restated certificate of incorporation contains provisions that might be characterized as anti-takeover provisions. Such provisions may render more difficult possible takeover proposals to acquire control of Cheniere and make removal of our management more difficult.

As described above, our certificate of incorporation authorizes a class of undesignated preferred stock consisting of 5,000,000 shares. Preferred stock may be issued from time to time in one or more series, and our board of directors, without further approval of the stockholders, is authorized to fix the rights, preferences, privileges and restrictions applicable to each series of preferred stock. The purpose of authorizing the board of directors to determine such rights, preferences, privileges and restrictions is to eliminate delays associated with a stockholder vote on specific issuances. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, adversely

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affect the voting power of the holders of common stock and, under some circumstances, make it more difficult for a third party to gain control of Cheniere.

We are incorporated under the laws of the State of Delaware. Section 203 of the Delaware General Corporation Law prevents an interested stockholder from engaging in a business combination with such corporation for a period of three years from the time such stockholder became an interested stockholder unless at least one of the following conditions is met:

- . the corporation's board of directors had earlier approved either the business combination or the transaction by which the stockholder became an interested stockholder,
- . upon attaining such status, the interested stockholder had acquired at least 85 percent of the corporation's voting stock, not counting shares owned by persons who are directors and also officers and certain employee stock plans, or
- . the business combination is later approved by the board of directors and authorized by a vote of two-thirds of the stockholders, not including the shares held by the interested stockholder.

The Delaware General Corporation Law defines an interested stockholder as a stockholder owning 15 percent or more of a corporation's outstanding voting stock. Cheniere is currently subject to Section 203.

In addition, BSR Investments, Ltd., an entity controlled by the mother of Charif Souki, the chairman of our board of directors, owns approximately 9% of the outstanding shares of our common stock. Accordingly, it is likely that BSR Investments will have the ability to effectively prevent or cause a change in control of Cheniere.

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### TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the common stock is U.S. Stock Transfer Corporation.

### PLAN OF DISTRIBUTION

We have agreed to bear some expenses of registering of the shares offered by this prospectus under federal and state securities laws.

We are registering the shares to be sold under this prospectus on behalf of the selling stockholder. We will receive no proceeds from this offering. When used below, the term "selling stockholders" includes the selling stockholder and its pledgees, donees, transferees or other successors-in-interest selling shares received from the selling stockholder as a gift, distribution or other non-sale-related transfer after the date of this prospectus, if any.

Shares of common stock covered hereby may be offered and sold at any time and from time to time by the selling stockholder. The selling stockholder will act independently of us in making decisions with respect to the timing, manner and size of each sale. The selling stockholder may sell the shares being offered by this prospectus:

- . on The American Stock Exchange, or otherwise at prices and at terms then prevailing or at prices related to the then-current market price;



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or

- . in private sales at negotiated prices directly or through one or more brokers, who may act as agent or as principal.

The shares may be sold by one or more of, or a combination of, the following:

- . a block trade in which the broker-dealer so engaged will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- . purchases by a broker-dealer as principal and resale by such broker-dealer for its account pursuant to this prospectus;
- . an exchange distribution in accordance with the rules of such exchange;
- . ordinary brokerage transactions and transactions in which the broker solicits purchasers; or
- . privately negotiated transactions.

The selling stockholder and any underwriter, dealer or agent who participate, in the distribution of such shares may be deemed to be an underwriter under the Securities Act, and any discount, commission or concession received by such persons and any profit on the resale of the shares purchased by them may be deemed to be an underwriting discount or commission under the Securities Act. We have agreed to indemnify the selling stockholder against some liabilities arising under the Securities Act. Because selling stockholders may be deemed to be "underwriters" within the meaning of Section 2(11) of the Securities Act, the selling stockholders will be subject to the prospectus delivery requirements of the Securities Act. In addition, any securities covered by this prospectus which qualify for sale pursuant to Rule 144 promulgated under the Securities Act may be sold under Rule 144 rather than pursuant to this prospectus.

The selling stockholders may enter into hedging transactions with broker-dealers in connection with distributions of the shares or otherwise. In such transactions, broker-dealers may engage in short sales of the shares in the course of hedging the positions they assume with selling stockholders. The selling stockholders also may sell shares short and redeliver the shares to close out such short positions. The selling stockholders may enter into option or other transactions with broker-dealers which require the delivery to the broker-dealer of the shares. The broker-dealer may then resell or otherwise transfer such shares pursuant to this prospectus. The selling stockholders also may loan or pledge the shares to a broker-dealer. The broker-dealer may sell the shares so loaned, or upon a default the broker-dealer may sell the pledged shares pursuant to this prospectus.

Any broker-dealer participating in such transactions as agent may receive compensation in the form of commissions, discounts, or concessions from the selling stockholder and, if acting as agent for the purchaser of such shares, from such purchaser. Usual and customary brokerage fees will be paid by the selling stockholder. Broker-dealers may agree with the selling stockholder to sell a

specified number of shares at a stipulated price per share, and, to the extent such a broker-dealer is unable to do so acting as agent for the selling stockholder, to purchase as principal any unsold shares at the price required to

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fulfill the broker-dealer commitment to the selling stockholder. These transactions would be either at market prices prevailing at the time of sale or at negotiated prices. These transactions may involve crosses and block transactions and may involve sales to and through other broker-dealers, including transactions of the nature described above. In connection with such re-sales, the broker-dealers may pay to or receive from the purchasers of the shares commissions computed as described above.

Under the rules and regulations of the Securities Exchange Act of 1934, the selling stockholder may be a person engaged in the distribution of the common stock and may not simultaneously engage in market making activities with respect to our common stock for a period of five business days prior to the commencement of the distribution. In addition, the selling stockholder will be subject to applicable provisions, rules and regulations under the Securities Exchange Act of 1934, including Regulation M, which may limit the timing of purchases and sales of shares of common stock by the selling stockholder. We will make copies of this prospectus available to the selling stockholders and have informed them of the need for delivery of copies of this prospectus to purchasers at or prior to the time of any sale of the shares.

The selling stockholder may indemnify any broker-dealer that participates in transactions involving the sale of the shares against some liabilities, including liabilities arising under the Securities Act. Any commissions paid or any discounts or concessions allowed to any such broker-dealer, and any profits received on the resale of such shares, may be deemed to be underwriting discounts and commissions under the Securities Act if any such broker-dealer purchases shares as principal. The selling stockholders will bear all commissions and discounts, if any, attributable to the sales of the shares.

To comply with the securities laws of some states, if applicable, the common stock will be sold in such jurisdictions only through registered or licensed brokers or dealers. In addition, some states prevent the common stock from being sold unless such shares have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

We will keep this registration statement or a similar registration statement effective until the earlier to occur of:

- . the date that all securities registered under this registration statement have been disposed of in accordance with the plan of disposition indicated above; or
- . the date that all securities registered under this registration statement have become eligible for sale under Rule 144(k) of the Securities Act.

No sales may be made pursuant to this prospectus after the earlier of these two dates unless we amend or supplement this prospectus to indicate that we have agreed to extend such period of effectiveness.

In addition, upon being notified by a selling stockholder that a donee or pledgee intends to sell more than 500 shares, we will file a supplement to this prospectus.

### LEGAL MATTERS

The validity of the shares of common stock offered hereby will be passed upon for us by Andrews & Kurth L.L.P., Houston, Texas.

### EXPERTS

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The consolidated financial statements incorporated in this prospectus by reference to Cheniere's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, have been so incorporated in reliance on the reports of Mann Frankfort Stein & Lipp CPAs, L.L.P., PricewaterhouseCoopers LLP and KPMG LLP, each independent accountants, given on the authority of each said firm as experts in auditing and accounting.

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### PART II

#### INFORMATION NOT REQUIRED IN THE PROSPECTUS

##### Item 14. Other Expenses of Issuance and Distribution.

We will bear no expenses in connection with any sale or other distribution by the selling stockholder of the shares being registered other than the expenses of preparation and distribution of this registration statement and the prospectus included in this registration statement. Such expenses are set forth in the following table. All of the amounts shown are estimates except the Securities and Exchange Commission registration fee.

SEC registration fee	\$ 600.00
Legal fees and expenses	15,000.00
Accounting fees and expenses	20,000.00
Miscellaneous expenses	1,400.00
	-----
Total	\$37,000.00
	=====

##### Item 15. Indemnification of Directors and Officers.

Section 145 of the Delaware General Corporation Law allows for the indemnification of officers, directors, and other corporate agents in terms sufficiently broad to indemnify such persons under some circumstances for liabilities (including reimbursement for expenses incurred) arising under the Securities Act of 1933. Our certificate of incorporation and by-laws provide for indemnification of our directors, officers, employees and other agents to the extent and under the circumstances permitted by the Delaware General Corporation Law. We have also entered into agreements with our directors and officers that will require us, among other things, to indemnify them against some liabilities that may arise by reason of their status or service as directors to the fullest extent not prohibited by law. In addition, we carry director and officer liability insurance.

In connection with this offering, the selling stockholder has agreed to indemnify us, our directors and officers and each such person who controls us, against any and all liability arising from inaccurate information provided to us by the selling stockholder and contained herein.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of us pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by us of expenses incurred or paid by a director, officer or controlling person of us in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion

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of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

Item 16. Exhibits.

### Exhibits.

3.1 Amended and Restated Certificate of Incorporation of Cheniere Energy, Inc. (Cheniere) (Incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999 (File No. 0-9092) as filed on August 16, 1999)

3.2 By-laws of Cheniere as amended through April 7, 1997 (Incorporated by reference to Exhibit 3.2 of the Company's Annual Report on Form 10-K for the year ended December 31, 1998 (File No. 0-9092) filed on March 29, 1999)

4.1 Specimen Common Stock Certificate of Cheniere (Incorporated by reference to Exhibit 4.1 of Cheniere's registration statement under the Securities Act of 1933 on Form S-1 filed on August 27, 1996 (File No. 333-10905))

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5.1 Opinion of Andrews & Kurth L.L.P.

23.1 Consent of Andrews & Kurth L.L.P. (included in Exhibit 5.1)

23.2 Consent of Mann Frankfort Stein & Lipp CPAs, LLP

23.3 Consent of PricewaterhouseCoopers LLP

23.4 Consent of KPMG LLP

24.1 Power of attorney (see signature page)

Item 17. Undertakings.

Cheniere hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of this offering.

(4) That, for purposes of determining any liability under the Securities Act, each filing of Cheniere's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act that is incorporated by reference in the registration statement shall be deemed to be a new registration statement

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relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, Cheniere Energy, Inc. certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Houston, State of Texas, on May 15, 2003.

CHENIERE ENERGY, INC.

By: /s/ CHARIF SOUKI

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Charif Souki  
President and Chairman of the Board

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints, jointly and severally, Charles M. Reimer and Don A. Turkleson, and each of them acting individually, as his or her attorney-in-fact, each with full power of substitution, for him or her in any and all capacities to sign any and all amendments to this Registration Statement (including post-effective amendments), and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorney to any and all amendments to said Registration Statement.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ CHARIF SOUKI ----- Charif Souki	President and Chairman of the Board	May 15, 2003
/s/ WALTER L. WILLIAMS ----- Walter L. Williams	Vice Chairman of the Board and Director	May 15, 2003
/s/ DON A. TURKLESON ----- Don A. Turkleson	Chief Financial Officer (Principal Financial and Accounting Officer)	May 15, 2003
/s/ NUNO BRANDOLINI ----- Nuno Brandolini	Director	May 15, 2003
/s/ KEITH F. CARNEY -----	Director	May 15, 2003

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Keith F. Carney

/s/ PAUL J. HOENMANS Director May 15, 2003  
-----

Paul J. Hoenmans

/s/ JOHN K. HOWIE Director May 15, 2003  
-----

John K. Howie

/s/ CHARLES M. REIMER Director May 15, 2003  
-----

Charles M. Reimer

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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 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 also may revoke your consent to householding at any time by contacting your bank or broker.

If you wish to receive a separate paper copy of this Proxy Statement or the 2016 Annual Report, you may call (212) 632-6000, visit our website at [www.lazard.com/investorrelations](http://www.lazard.com/investorrelations), send an e-mail to: [investorrelations@lazard.com](mailto:investorrelations@lazard.com) or write to:

Lazard Ltd

30 Rockefeller Plaza

New York, New York 10112

Attn: Investor Relations

**Table of Contents****BOARD OF DIRECTORS RECOMMENDATIONS**

The Board of Directors recommends that you vote as follows:

<b>Agenda Item</b>	<b>Matter</b>	<b>Board Recommendation</b>
Item 1	Election of three directors to our Board of Directors for a three-year term expiring at the conclusion of the Company's annual general meeting in 2020	<b>VOTE FOR</b>
Item 2	Consideration of a non-binding advisory vote regarding executive compensation	<b>VOTE FOR</b>
Item 3	Consideration of a non-binding advisory vote regarding the frequency of the advisory vote on executive compensation	<b>VOTE FOR ANNUAL FREQUENCY</b>
Item 4	Ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2017 and authorization of the Company's Board of Directors, acting by its Audit Committee, to set their remuneration	<b>VOTE FOR</b>
Item 5	Consideration of the non-binding shareholder proposal set forth in this Proxy Statement (if properly presented by the shareholder proponent at the meeting)	<b>VOTE AGAINST</b>

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**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 three nominees described below for a term ending at the 2020 annual general meeting. Michael J. Turner is currently serving as a director but has chosen not to seek re-election at the 2017 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 nominee is a current director of the Company and 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.

**BOARD OF DIRECTORS RECOMMENDATION**

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

Unless otherwise directed in the proxy, the persons named in the proxy will vote FOR each nominee listed below.



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**NOMINEES FOR ELECTION AS DIRECTORS**

**FOR A THREE-YEAR TERM EXPIRING IN 2020**

Name: Kenneth M. Jacobs

Age: 58 years

Director since 2009

***Kenneth M. Jacobs*** 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, and his skills as a trusted advisor, collaborator and team leader.

Name: Michelle Jarrard

Age: 49 years

Director since

January 2017

***Michelle Jarrard*** has served as a director of Lazard Ltd and Lazard Group since January 2017. Ms. Jarrard is a former Senior Partner of McKinsey & Company, where she held multiple senior leadership roles during her 25-year career, most recently as Global Chief HR and Talent Officer from 2007 until her retirement in January 2016. She was a member of McKinsey's Global Operating Committee, with responsibilities including: People Strategy; Talent Acquisition and Development; Learning; Partner Compensation & Evaluation; Diversity; HR Analytics, Policies & Risk; and Internal Communications. In 2016, Ms. Jarrard became the Managing Director of the GRA Venture Fund, LLC, a private investment fund providing early-stage capital to Georgia-based technology companies. Ms. Jarrard is on the board of directors of Rural Sourcing, Inc., Axion Biosystems and QUEST Renewables. She is a board member and Chair of the Compensation & Benefits Committee for Children's Healthcare of Atlanta, one of the largest pediatric healthcare systems in the U.S. She is also a trustee of the Georgia Tech Foundation Board. She earned her MBA from Harvard Business School and a Bachelor's Degree in Industrial Engineering from the Georgia Institute of Technology. Ms. Jarrard was selected to be a director of Lazard because of her experience serving in senior leadership positions, including human capital development positions, within a major professional services firm.

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Name: Philip A. Laskawy

Age: 75 years

Director since 2008

**Philip A. Laskawy** 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 is a member of the board of directors of Loews Corp. and Henry Schein, Inc. Mr. Laskawy was appointed Chairman of Federal National Mortgage Association (Fannie Mae) in September 2008 at the commencement of Fannie Mae's conservatorship and retired from Fannie Mae's board of directors in March 2014, following more than five years of service to the company. Mr. Laskawy had previously served on the board of directors of General Motors Corp. until June 2013. Mr. Laskawy was selected to be a director of Lazard 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 a major professional services firm.

**DIRECTORS CONTINUING IN OFFICE****(TERM EXPIRING IN 2018)**

Name: Andrew M. Alper

Age: 59 years

Director since 2012

**Andrew M. Alper** has served as a director of Lazard Ltd and Lazard Group since October 2012. Mr. Alper serves as Chairman of Alper Investments, Inc. From October 2006 to January 2013, Mr. Alper served as the Chairman and Chief Executive Officer of EQA Partners, LP, a limited partnership engaged in a global macro strategy. From February 2002 to June 2006, Mr. Alper served as President of the New York City Economic Development Corporation and Chairman of the New York City Industrial Development Agency, appointed to both positions by Mayor Michael Bloomberg. Prior to that, Mr. Alper spent 21 years in the Investment Banking Division of Goldman, Sachs & Co., where he was Chief Operating Officer of the Investment Banking Division from 1997 to 2000. Mr. Alper was co-head of the Financial Institutions Group of the Investment Banking Division of Goldman, Sachs & Co. from 1994 to 1997. Mr. Alper previously served on the board of directors of FBR Capital Markets Corporation from January 2007 until June 2009. Mr. Alper is a member of the board of trustees of the University of Chicago and served as its Chairman from

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June 2009 until May 2015. Mr. Alper also serves as a trustee of the Mount Sinai Medical Center in New York. Mr. Alper was selected to be a director of Lazard because of his extensive experience with the financial and operational aspects of businesses that are comparable to Lazard, as well as his background and experience in government service.

**Ashish Bhutani** has served as a member of the Board of Directors 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 for LAM 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 Lazard 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.

Name: Ashish Bhutani

Age: 56 years

Director since 2010

**Steven J. Heyer** 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 an investor in, and acts in a leadership role to, a number of private companies. 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

Name: Steven J. Heyer

Age: 64 years

Director since 2005

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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. Mr. Heyer was a member of the board of directors of Omnicare, Inc. from 2008 until August 2015. From 2008 to 2011, Mr. Heyer worked with a number of leading private equity and venture capital firms focused on financially distressed startup companies and turnaround situations, one of which was Harry & David Holdings, Inc., a company that was in financial distress at the time of his appointment as Chairman and CEO in February 2010 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 selected to be a director of Lazard because of his leadership and experience, as well as 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.

Name: Sylvia Jay

Age: 70 years

Director since 2006

*Sylvia Jay*, CBE, has served as a director of Lazard Ltd and Lazard Group since March 2006. From June 2011 until July 2013, Lady Jay was Chairman of L'Oréal UK. From September 2005 until June 2011, she was Vice Chairman of L'Oréal UK. From January 2001 until 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; and the French Trésor. Lady Jay also was a member of a small international team that set up the European Bank for Reconstruction and Development. Lady Jay is a member of the board of directors of Groupe Casino. Lady Jay was a member of the board of directors of Alcatel-Lucent from 2006 until 2014, and was a member of the board of directors of Saint-Gobain from 2002 until 2016. Lady Jay also was Chairman of Food from Britain from 2005 until 2009. Lady Jay was selected to be a director of Lazard because of her extensive background and experience in government service and the Board's desire to add geographical diversity that reflects Lazard's client base in Europe.

Table of Contents**DIRECTORS CONTINUING IN OFFICE  
(TERM EXPIRING IN 2019)**

Name: Richard N. Haass

Age: 65 years

Director since 2016

**Richard N. Haass** has served as a director of Lazard Ltd and Lazard Group since April 2016. Dr. Haass, in his fourteenth year as president of the Council on Foreign Relations, has served as the senior Middle East advisor to President George H.W. Bush and as a principal advisor to Secretary of State Colin Powell. He was also U.S. coordinator for policy toward the future of Afghanistan and the U.S. envoy to both the Cyprus and Northern Ireland peace talks. A recipient of the State Department's Distinguished Honor Award, the Presidential Citizens Medal, and the Tipperary International Peace Award, Dr. Haass has authored or edited books on both U.S. foreign policy and management. A Rhodes Scholar, he holds Master and Doctor of Philosophy degrees from Oxford University. From February 2007 until February 2015, Dr. Haass served as a member of the board of directors of Fortress Investment Group. Dr. Haass was selected to be a director of Lazard because of his global perspective, fostered over many years at the highest levels of engagement, as well as his background and experience in government service.

Name: Jane L. Mendillo

Age: 58 years

Director since 2016

**Jane L. Mendillo** has served as a director of Lazard Ltd and Lazard Group since April 2016. Ms. Mendillo has spent over 30 years in the fields of endowment and investment management. As the CEO of the Harvard Management Company from 2008 to 2014, she managed Harvard University's approximately \$37 billion global endowment and related assets across a wide range of public and private markets. Ms. Mendillo was previously the Chief Investment Officer at Wellesley College for six years. Prior to that, she spent 15 years at the Harvard Management Company in various investment roles. Earlier in her career she was a management consultant at Bain & Co. and worked at the Yale Investment Office. Ms. Mendillo is a member of the board of directors of General Motors. She is also a member of the board of directors and Investment Committee of the Mellon Foundation, and is on the board of directors of the Berklee College of Music. She also chairs the Investment Committee of the Partners Healthcare System, and serves as a Senior Investment Advisor to the Old Mountain Private Trust Company. She is a graduate of Yale College and the Yale School of Management. Ms. Mendillo was selected to be a director of Lazard because of her unique financial perspective, having successfully stewarded Harvard Management Company through the financial crisis, and her extensive experience in the field of asset management.

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Name: Richard D. Parsons

Age: 68 years

Director since 2012

**Richard D. Parsons** has served as a director of Lazard Ltd and Lazard Group since June 2012. Mr. Parsons has been a senior advisor to Providence Equity Partners LLC since September 2009. From May 2014 to September 2014, Mr. Parsons served as the interim Chief Executive Officer of the Los Angeles Clippers. Mr. Parsons is a member of the board of directors of The Estée Lauder Companies Inc. and The Madison Square Garden Company. Mr. Parsons previously served as Chairman of the board of directors of Citigroup Inc. from February 2009 through April 2012, and had served as a director of Citigroup Inc. since 1996. From May 2003 until his retirement in December 2008, Mr. Parsons served as Chairman of the board of directors of Time Warner Inc., and from May 2002 until December 2007, Mr. Parsons served as Chief Executive Officer of Time Warner Inc. Mr. Parsons was formerly Chairman and Chief Executive Officer of Dime Bancorp, Inc. Among his numerous community and nonprofit activities, Mr. Parsons is Chairman of the Apollo Theatre Foundation, Chairman of the board of trustees of the Rockefeller Foundation, Chairman of the Jazz Foundation of America, and a member of the board of directors of Teach for America and the Commission on Presidential Debates. Mr. Parsons was selected to be a director of Lazard because of his extensive and diverse leadership experience with both financial services and non-financial services businesses.

**MAJORITY VOTE POLICY**

Our Board has adopted a majority vote policy in connection with the election of directors.

In an uncontested election of directors, any nominee who receives a greater number of votes withheld from his or her election than votes for his or her election will, within five days following the certification of the shareholder vote, tender his or her written resignation to the Chairman of the Board for consideration by the Nominating & Governance Committee. As used herein, an uncontested election of directors is an election in which the number of nominees is not greater than the number of Board seats open for election.

The Nominating & Governance Committee will consider such tendered resignation and, promptly following the date of the shareholders meeting at which the election occurred, will make a recommendation to the Board concerning the acceptance or rejection of such resignation. In determining its recommendation to the Board, the Nominating & Governance Committee will consider all factors deemed relevant by the members of the Nominating &

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Governance Committee including, without limitation, the stated reason or reasons why shareholders who cast withheld votes for the director did so, the qualifications of the director (including, for example, the impact the director's resignation would have on the Company's compliance with the requirements of the SEC, the NYSE and Bermuda law), and whether the director's resignation from the Board would be in the best interests of the Company and its shareholders.

The Nominating & Governance Committee also will consider a range of possible alternatives concerning the director's tendered resignation as members of the Nominating & Governance Committee deem appropriate including, without limitation, acceptance of the resignation, rejection of the resignation, or rejection of the resignation coupled with a commitment to seek to address and cure the underlying reasons reasonably believed by the Nominating & Governance Committee to have substantially resulted in the withheld votes.

The Board will take formal action on the Nominating & Governance Committee's recommendation no later than 90 days following the date of the shareholders' meeting at which the election occurred. In considering the Nominating & Governance Committee's recommendation, the Board will consider the information, factors and alternatives considered by the Nominating & Governance Committee and such additional information, factors and alternatives as the Board deems relevant.

Following the Board's decision on the Nominating & Governance Committee's recommendation, the Company will promptly disclose, in a Form 8-K filed with the Securities and Exchange Commission, the Board's decision, together with an explanation of the process by which the decision was made. If the Board has not accepted the tendered resignation, it will also disclose the reason or reasons for doing so.

No director who, in accordance with this policy, is required to tender his or her resignation, shall participate in the Nominating & Governance Committee's deliberations or recommendation, or in the Board's deliberations or determination, with respect to accepting or rejecting his or her resignation as a director.

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**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](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.

**LEADERSHIP STRUCTURE**

*Chairman and Chief Executive Officer*

Kenneth M. Jacobs has served as Chairman of the Board and CEO of the Company since November 2009. The Board carefully considered a variety of governance arrangements following the sudden death of the Company's former Chairman and CEO in October 2009, including separating the roles of Chairman and CEO. The Board appointed Mr. Jacobs as the Company's Chairman and CEO following this measured and comprehensive review. At the same time, the Board also recognized the need for strong independent perspectives to balance the combined Chairman and CEO positions and to avoid any potential conflicts. The Board created the Lead Director position in November 2009 to provide this balance.

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 the Board is best positioned to identify the person who has the skill and commitment to be an effective Chairman.

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

*Lead Director*

Steven J. Heyer was originally appointed as the Lead Director for the Board in November 2009. Mr. Heyer's appointment was reconfirmed by the independent members of the Board in April 2016. Mr. Heyer is a strong, independent and active Lead Director with clearly defined leadership authority and responsibilities. In addition to his role as Lead Director, Mr. Heyer serves as a member of the Compensation Committee and the Audit Committee and as Chair of the Nominating & Governance Committee.



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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 independent 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 independent directors;

for the purpose of facilitating timely communication, serving as a liaison between (1) the independent 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 independent directors, (1) reviewing and approving Board meeting schedules, as well as the agendas for such meetings and (2) calling meetings of the independent directors and setting the agendas in connection with such meetings;

reviewing and approving 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 talented individuals 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.

Our Lead Director also presides at meetings of the Board, or the relevant portions of such meetings, when it would not be appropriate for our Chairman and CEO to preside.

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



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**RISK OVERSIGHT**

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 and the Chief Risk Officer, review with the Audit Committee 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. Updates on risks deemed material to the Company are reviewed at regular meetings 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.

**AUDIT COMMITTEE**

**Philip A. Laskawy (Chair), Andrew M. Alper, Steven J. Heyer and Jane L. Mendillo**

The Audit Committee met seven times in 2016. 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 auditor;

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

monitoring the Company's compliance 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](http://www.lazard.com/Investorrelations/Audit_Committee_Charter.aspx).

The Audit Committee also selects and oversees Lazard's independent auditor, and pre-approves all services to be performed by the independent auditor 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's definition of audit committee financial expert.



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**COMPENSATION COMMITTEE**

**Andrew M. Alper (Chair), Steven J. Heyer, Michelle Jarrard, Sylvia Jay, Philip A. Laskawy and Michael J. Turner**

The Compensation Committee met seven times in 2016. The Compensation Committee assists the Board of Directors by overseeing our firm-wide compensation plans, policies and programs and has full authority to:

determine and approve the compensation of our CEO;

review and approve the compensation of our other executive officers;

review our compensation programs as they affect all managing directors and employees; and

administer the Lazard Ltd 2008 Incentive Compensation Plan, or the 2008 Plan.

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](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 2008 Plan for the express purpose of granting awards to new hires and, under certain circumstances, retention awards to key employees (other than the executive officers listed in the Summary Compensation Table below). The Compensation Committee granted to our CEO (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 regularly scheduled meetings.

The Compensation Committee directly engaged Compensation Advisory Partners, or CAP, an 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. CAP generally attends meetings of the Compensation Committee. In addition, Kenneth M. Jacobs, our CEO, generally attends meetings of the Compensation Committee and expresses 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 incentive compensation awards) to be paid to each of the other executive officers listed in the Summary Compensation Table below.

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**NOMINATING & GOVERNANCE COMMITTEE**

**Steven J. Heyer (Chair), Richard N. Haass, Sylvia Jay, Richard D. Parsons and Michael J. Turner**

The Nominating & Governance Committee met four times in 2016. The Nominating & Governance Committee assists our Board of Directors in promoting sound corporate governance principles and practices by:

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

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;

recommending to the Board director nominees for each committee of the Board; and

reviewing and reassessing the adequacy of the Corporate Governance Guidelines.

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](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 non-executive 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 Board met eight times in 2016. In 2016, overall attendance by our current directors (other than Ms. Jarrard, who joined the Board in January 2017) at meetings of the Board and its Committees averaged over 95%. Each such director attended at least 75% of the meetings of the Board and Committees on which he or she served. In 2016, all of our directors who were members of the Board following the 2016 annual general meeting of shareholders attended the annual general meeting.

**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.



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**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 10112

The Lazard Ltd Board of Directors

c/o the Corporate Secretary

These procedures are also posted on our website at

[http://www.lazard.com/Investorrelations/Comm\\_NonMgmt\\_Dir.aspx](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's 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 2018 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, New York, New York 10112 between December 26, 2017 and January 25, 2018.





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**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 and Bhutani are not independent directors of Lazard.

The Board of Directors has determined that none of our other directors have a material relationship with Lazard under the NYSE corporate governance listing standards and the Board of Directors' standards for director independence and, accordingly, that each of our directors (other than Messrs. Jacobs and Bhutani) is independent under the NYSE corporate governance listing standards.

In addition, as discussed under "Information Regarding the Board of Directors and Corporate Governance - Director Independence" in our annual proxy statement filed with the SEC on March 10, 2016, in early 2016, the Board of Directors determined that none of our directors (other than Messrs. Jacobs and Bhutani) and director nominees at that time had a material relationship with Lazard under the Board of Directors' standards for director independence and, accordingly, that each such director and director nominee was independent under the NYSE corporate governance listing standards.

**DIRECTOR COMPENSATION FOR 2016**

Directors who are officers of the Company do not receive any fees for their service as directors. In 2016, 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, or 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 the Board of Directors as follows: the Lead Director, \$50,000; 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. 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 the Compensation Committee were paid an additional annual retainer of \$15,000, in respect of each applicable committee. All additional annual retainers were payable 45% in cash and 55% in DSUs. Cash compensation is paid out on a quarterly basis (on February 15, May 15, August 15 and November 15, or, in each case, the first business day thereafter), and the DSU awards described above are granted on an annual basis on June 1st of each year, or the first business day thereafter, except for initial pro-rated grants made to new directors upon their election or appointment to the Board of Directors. The number of DSUs granted is determined based on the NYSE closing price of our Class A common stock on the trading day immediately preceding 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 in May 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 NYSE closing price of our Class A common stock on the

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trading day immediately preceding the date of grant. Messrs. Alper, Haass and Parsons and Ms. Mendillo elected to participate in this plan during 2016, and each of Messrs. Alper, Haass, Heyer and Parsons and Ms. Mendillo have elected to participate in this plan during 2017.

All DSUs awarded under these arrangements are converted to shares of our Class A common stock on a one-for-one basis and distributed to a director only after he or she resigns from, or otherwise ceases to be a member of, the Board of Directors. Dividend equivalent payments are made in respect of DSUs, 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 regularly reviews our director compensation program.

<b>Directors</b>	<b>Fees Earned or Paid in Cash</b>	<b>Stock Awards (1)</b>	<b>Total</b>
Andrew M. Alper (2)	\$ 138,281	\$ 167,773	\$ 306,054
Richard N. Haass (2)	\$ 72,156	\$ 171,710	\$ 243,866
Steven J. Heyer	\$ 165,538	\$ 203,867	\$ 369,405
Sylvia Jay	\$ 132,750	\$ 162,250	\$ 295,000
Philip A. Laskawy	\$ 138,538	\$ 170,868	\$ 309,406
Jane L. Mendillo (2)	\$ 73,443	\$ 174,766	\$ 248,209
Laurent Mignon (3)	\$ 51,013	\$	\$ 51,103
Richard D. Parsons (2)	\$ 126,056	\$ 154,018	\$ 280,074
Hal S. Scott (3)	\$ 58,720	\$	\$ 58,720
Michael J. Turner	\$ 132,750	\$ 162,250	\$ 295,000

(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 14 of Notes to the Consolidated Financial Statements contained in our 2016 Annual Report on Form 10-K for the fiscal year ended December 31, 2016 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, 2016 under FASB ASC Topic 718 (based on the NYSE closing price of our Class A common stock on the trading day immediately preceding the date of the grant) were as follows: Mr. Alper, 4,769, valued at \$167,773; Dr. Haass, 4,378, valued at \$154,018; Mr. Heyer, 5,785, valued at \$203,516; Lady Jay, 4,612, valued at \$162,250; Mr. Laskawy, 4,847, valued at \$170,517; Ms. Mendillo, 4,456, valued at \$156,762; Mr. Parsons, 4,378, valued at \$154,018; and Mr. Turner, 4,612, valued at \$162,250. In addition, following their election to the Board of Directors during 2016, Dr. Haass and Ms. Mendillo received a pro-rated grant of DSUs on April 20, 2016. The number and grant date fair value of such DSUs were as follows: Dr. Haass, 454, valued at \$17,692; and Ms. Mendillo, 462, valued at \$18,004. In addition, in connection with a rotation of the committee chairs on April 19, 2016, Messrs. Heyer and Laskawy each received a pro-rated grant of 9 DSUs with a grant date fair value of \$351. The total number of DSUs held by each of the non-executive directors as of December 31, 2016 (excluding Ms. Jarrard, who became a director effective January 1, 2017) was as follows: Mr. Alper, 23,534; Dr. Haass, 5,226; Mr. Heyer, 85,527; Lady Jay, 43,465; Mr. Laskawy, 39,290; Ms. Mendillo, 6,917; Mr. Parsons, 29,301; and Mr. Turner, 43,465.

(2) Each of Messrs. Alper, Haass and Parsons and Ms. Mendillo elected to defer all or a portion of their quarterly cash compensation into additional DSUs pursuant to the terms of the Directors Fee Deferral Unit Plan during

2016. The number and grant date fair value

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of DSUs in lieu of cash (based on the NYSE closing price of our Class A common stock on the trading days immediately preceding the applicable grant dates) were as follows: Mr. Alper, 4,003, valued at \$138,281; Dr. Haass, 394, valued at \$14,476; Mr. Parsons, 3,647, valued at \$126,056; and Ms. Mendillo, 1,999, valued at \$73,443. In accordance with SEC guidance, these amounts are reflected in the Fees Earned or Paid in Cash column, rather than in the Stock Awards column.

- (3) Messrs. Mignon and Scott served on the Board of Directors until the end of their respective terms on April 19, 2016.

**BENEFICIAL OWNERS OF MORE THAN 5% OF OUR COMMON STOCK**

Based on filings made under Section 13(d) and Section 13(g) of the Exchange Act, as of March 2, 2017, the only persons known by us to be beneficial owners of more than 5% of our Class A common stock were as follows:

Name and Address of Beneficial Owner	Number of Shares of Class A Common Stock Beneficially Owned (1) (2)	Percentage of Shares of Class A Common Stock Beneficially Owned	Percentage of Voting Power (3)
Ariel Investments, LLC 200 E. Randolph Street, Suite 2900  Chicago, IL 60601	6,483,375	5.0%	5.2%
The Vanguard Group 100 Vanguard Blvd.  Malvern, PA 19355	9,819,483	7.6%	7.9%

- (1) Shares of Class A common stock beneficially owned by Ariel Investments, LLC are based on a Schedule 13G that was filed on February 14, 2017.

- (2) Shares of Class A common stock beneficially owned by The Vanguard Group are based on a Schedule 13G that was filed on February 10, 2017.

- (3) For purposes of this calculation, the voting power of Class A common stock excludes 5,577,821 shares held by the Company's subsidiaries as of March 2, 2017.

Table of Contents**BENEFICIAL OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS**

The following table shows the number of shares of Class A common stock that each director, each executive officer named in the Summary Compensation Table, and all directors and executive officers as a group have reported as owning beneficially, or otherwise having a pecuniary interest in, as of March 2, 2017 (including any equity awards which are scheduled to vest within 60 days of that date). To our knowledge, except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned by them. The address for each listed person is c/o Lazard Ltd, 30 Rockefeller Plaza, New York, New York 10112.

Name of Beneficial Owner	Shares of Class A Common Stock (assuming conversion of applicable equity awards) (1) (2)	Percentage of Class A Common Stock	Percentage of Voting Power (3)
Kenneth M. Jacobs (4)	1,612,347	1.2%	1.3%
Andrew M. Alper	24,320	*	*
Ashish Bhutani	523,456	*	*
Richard N. Haass	6,787	*	*
Steven J. Heyer	86,480	*	*
Michelle Jarrard	1,551	*	*
Sylvia Jay	43,465	*	*
Philip A. Laskawy	42,290	*	*
Jane L. Mendillo	9,051	*	*
Richard D. Parsons	30,022	*	*
Michael J. Turner	43,465	*	*
Matthieu Bucaille (5)	394,797	*	*
Scott D. Hoffman (6)	129,031	*	*
Alexander F. Stern (6)	276,184	*	*
All directors and executive officers as a group (14 persons)	3,223,246	2.5%	2.6%

\* Less than 1% beneficially owned.

- (1) PRSUs and restricted stock units, or RSUs, granted to our executive officers that vest more than 60 days after March 2, 2017 have not been included in the table above in accordance with SEC rules. For a discussion of PRSUs and RSUs that have been granted to our executive officers, see Compensation of Our Executive Officers Outstanding Equity Awards at 2016 Fiscal Year End below.
- (2) This column also includes shares of Class A common stock that are subject to issuance in the future with respect to the DSUs issued to our non-executive directors in the following aggregate amounts: Mr. Alper, 24,320 shares; Dr. Haass, 5,587 shares; Mr. Heyer, 86,480 shares; Ms. Jarrard, 1,551 shares; Lady Jay, 43,465 shares; Mr. Laskawy, 39,290 shares; Ms. Mendillo, 7,651 shares; Mr. Parsons, 30,022 shares; and Mr. Turner, 43,465

shares. These DSUs convert to shares of our Class A common stock on a one-for-one basis only after a director resigns from, or otherwise ceases to be a member of, the Board. See Director Compensation for 2016 above.

- (3) For purposes of this calculation, the voting power of Class A common stock excludes 5,577,821 shares held by the Company's subsidiaries as of March 2, 2017.

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- (4) Includes 112,410 shares of restricted Class A common stock that were previously issued in settlement of certain outstanding equity awards, which were no longer subject to service requirements after March 31, 2016, Mr. Jacobs' retirement eligibility date, but remain subject to other restrictions. See Compensation of Executive Officers Outstanding Equity Awards at 2016 Fiscal Year End below. Also includes 584,279 shares of Class A common stock indirectly beneficially owned by Mr. Jacobs in trust.
  
- (5) Includes 36,147 shares of restricted Class A common stock that were previously issued in settlement of certain outstanding equity awards, which were no longer subject to service requirements after February 6, 2016, Mr. Bucaille's retirement eligibility date, but remain subject to other restrictions. Excludes 82,948 shares of restricted stock issued pursuant to a special grant made in 2011, which shares of restricted stock are not subject to the RSU Retirement Policy and remain subject to vesting conditions. See Compensation of Executive Officers Outstanding Equity Awards at 2016 Fiscal Year End below.
  
- (6) Includes certain shares of Class A common stock that the executive officer had agreed to sell but continued to beneficially own on March 2, 2017, as reported in a Form 4 filing.



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**ITEM 2**

**AN ADVISORY VOTE REGARDING EXECUTIVE COMPENSATION**

The Board is committed to compensation governance and recognizes the significant interest of shareholders in executive compensation matters. We provide our shareholders annually with an opportunity to cast an advisory vote regarding the compensation of our Named Executive Officers, or NEOs, as disclosed in this Proxy Statement.

As further discussed under "Compensation Discussion and Analysis" below, our Company performed well in 2016 and delivered strong results, despite volatile financial markets. We believe that our compensation philosophy and discipline, as successfully implemented on a firm-wide basis by our NEOs during 2016, contributed to our strong performance.

As this is an advisory vote, the result will not be binding on the Board, although our Compensation Committee, which is comprised solely of independent directors, will carefully consider the outcome of the vote when evaluating the effectiveness of our compensation policies and practices.

**BOARD OF DIRECTORS' RECOMMENDATION**

**The Board recommends that you vote FOR the following resolution:**

RESOLVED, that the shareholders of the Company vote on a non-binding, advisory basis FOR the compensation paid to the Company's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion.

Unless otherwise directed in the proxy, the persons named in the proxy will vote FOR the foregoing resolution.

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**Table of Contents****COMPENSATION DISCUSSION AND ANALYSIS**

In addition to performing the roles and responsibilities described under Information Regarding the Board of Directors and Corporate Governance Compensation Committee above, our Compensation Committee, which is comprised entirely of independent directors, determined the 2016 compensation of our NEOs: Kenneth M. Jacobs, Chairman and CEO; Matthieu Bucaille, Chief Financial Officer; Ashish Bhutani, CEO of LAM; Scott D. Hoffman, General Counsel; and Alexander F. Stern, Chief Operating Officer and Chief Executive Officer, Financial Advisory. To assist shareholders in finding important information within this Compensation Discussion and Analysis, we call your attention to the following sections:

<u>2016 Business Performance Highlights</u>	35
<u>Selected 2016 Compensation Highlights</u>	37
<u>Our Shareholder Advisory Votes Regarding Executive Compensation</u>	39
<u>Our Compensation Philosophy and Objectives</u>	39
<u>Design of Our Compensation Systems</u>	44
<u>PRSU Financial Metrics</u>	48
<u>Refinement of the PRSU Program</u>	54
<u>PRSU Scoring</u>	56
<u>2016 Compensation for Each of our NEOs</u>	58

Table of Contents**2016 BUSINESS PERFORMANCE HIGHLIGHTS**

As further discussed under Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, our Company performed well in 2016 and delivered strong results, despite volatile financial markets. We believe that our compensation philosophy and discipline, as successfully implemented on a firm-wide basis by our NEOs during 2016, contributed to our strong performance.

Our Compensation Committee focused, among other things, on the following selected consolidated financial information in evaluating the performance of our NEOs and setting their incentive compensation—that is, all compensation beyond their base salary—for 2016.

**Selected Consolidated Financial Information**

(\$ in millions, unless otherwise noted)

	2016	2015	2014	2013	2012
<b>Operating Revenue<sup>(1)</sup></b>	\$ 2,344	\$ 2,380	\$ 2,340	\$ 2,034	\$ 1,971
<i>% Growth</i>	(2)%	2%	15%	3%	
<b>Awarded Compensation Expense<sup>(1)</sup></b>	\$ 1,309	\$ 1,329	\$ 1,305	\$ 1,187	\$ 1,171
<i>% of Operating Revenue</i>	55.8%	55.8%	55.8%	58.3%	59.4%
<i>% Growth</i>	(2)%	2%	10%	1%	
<b>Adjusted Non-Compensation Expense<sup>(1)</sup></b>	\$ 434	\$ 434	\$ 441	\$ 409	\$ 421
<i>% of Operating Revenue</i>	18.5%	18.2%	18.8%	20.1%	21.4%
<b>Operating Income (based on Awarded Compensation Expense)<sup>(2)</sup></b>	\$ 601	\$ 617	\$ 594	\$ 438	\$ 379
<b>Operating Margin (based on Awarded Compensation Expense)<sup>(3)</sup></b>	25.6%	25.9%	25.4%	21.5%	19.2%
<i>% Growth</i>	(1)%	2%	36%	16%	
<b>Earnings from Operations<sup>(1)</sup></b>	\$ 585	\$ 627	\$ 598	\$ 428	\$ 332
<b>Operating Margin (based on Earnings from Operations)<sup>(4)</sup></b>	25.0%	26.4%	25.5%	21.1%	16.8%
<i>% Growth</i>	(5)%	5%	40%	29%	
<b>Return of Capital<sup>(5)</sup></b>	\$ 692	\$ 584	\$ 425	\$ 416	\$ 540
<b>Ending Assets under Management (\$ in billions)</b>	\$ 198	\$ 186	\$ 197	\$ 187	\$ 167

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<i>% Growth</i>	6%	(5)%	5%	12%	
<b>Total Shareholder Return (1-Year)<sup>(6)</sup></b>	(1)%	(6)%	13%	56%	19%
<b>Total Shareholder Return (3-Year)<sup>(6)</sup></b>	6%	66%	110%	25%	(16)%

Endnotes to this Compensation Discussion and Analysis are located on pages 69-70.

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**SELECTED 2016 BUSINESS PERFORMANCE HIGHLIGHTS**

	<b>Goal</b>	<b>2016</b>	<b>Status</b>
<b>Awarded Compensation Ratio</b>	<b>55% - 59% over the cycle</b>	<b>55.8%</b>	<b>Achieved</b>
<b>Adjusted Non-Compensation Ratio</b>	<b>16% - 20% over the cycle</b>	<b>18.5%</b>	<b>Achieved</b>

**OPERATING REVENUE**

**\$2,344M**

Record Financial Advisory operating revenue of \$1,301 million, up 2% from 2015

Down only 2% from record 2015

**AWARDED  
COMPENSATION RATIO**

**55.8%**

Awarded compensation ratio held flat since 2014

**(Financial goal achieved)**

Held flat vs. 2015

**AWARDED  
OPERATING MARGIN**

**25.6%**

Awarded operating income up 59% compared to 2012

Nearly flat vs. record 2015, notwithstanding volatile market environment

**RETURN OF CAPITAL**

<b>\$692M</b> <b>(Financial goal achieved)</b>	Share repurchases more than offset potential dilution from 2016 equity award grants. Total return of capital since 2012 equal to \$2.66 billion
Up 18% from 2015	

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**SELECTED 2016 COMPENSATION HIGHLIGHTS**

Our operating revenue in 2016 decreased 2% compared to 2015 (a record year), but we held our 2016 awarded compensation ratio flat compared to 2015.

Total 2016 compensation awarded to our CEO decreased 8% compared to 2015, notwithstanding:

our strong financial performance in 2016, as reflected in the 2016 financial highlights described above, in a volatile market environment;

the 59% increase in our awarded operating income in 2016 compared to 2012;

the continued achievement of our financial goals described in this Proxy Statement, which we originally announced in early 2012; and

our CEO's individual contributions and achievements in support of our Financial Advisory business.

Total 2016 compensation awarded to our NEOs as a group decreased 4% compared to 2015.

Approximately 80% to 92% of each NEO's total 2016 compensation was awarded in the form of performance-based compensation. As further discussed under "2016 Compensation for Each of Our NEOs" below, our Compensation Committee granted this compensation after evaluating each NEO's performance in light of our financial results, including our achievement of the goals described above and our achievement of other pre-determined goals set in early 2016.

Approximately 60% of total 2016 compensation awarded to Mr. Jacobs, and at least 50% of total 2016 compensation awarded to Messrs. Bucaille, Bhutani, Hoffman and Stern, was awarded in the form of at-risk performance-based restricted stock units, or PRSUs, which vest three years after the grant date contingent upon both the achievement of three-year forward-looking performance goals and satisfaction of service conditions.

Consistent with 2015, 2014 and 2013, PRSUs completely replaced restricted stock units, or RSUs, which are similar to PRSUs but are only subject to service-based vesting conditions, as a vehicle for providing our NEOs with long-term equity-based incentive compensation for 2016.

As further discussed under "Design of Our Compensation Programs - Performance-Based Compensation Refinement of the PRSU Program" below, for the PRSUs granted in 2017 in respect of 2016 compensation, the Compensation

Committee has introduced a new performance metric, modified certain scoring requirements in light of the evolving macroeconomic environment and the Company's goals and objectives, and limited certain scores that can be achieved under the program. The new performance metric, the change to which reflects our progress against financial goals originally announced in early 2012,



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replaces the Operational Leverage Ratio metric that had been a part of the PRSU program from 2012 until 2016 and that continues to apply to outstanding PRSU awards that were granted before 2017. The aggregate effect of these refinements is to further increase the overall rigor of the PRSU program to better reflect the current environment.

As demonstrated by our compensation practices in 2016, we remain committed to our goals regarding firm-wide awarded compensation expense.

We have maintained control on compensation costs and applied a consistent compensation deferral policy for our NEOs and other employees.

We have continued to apply our discipline on compensation expense to our NEOs, even during periods of outstanding performance.

**Table of Contents****OUR SHAREHOLDER ADVISORY VOTES REGARDING EXECUTIVE COMPENSATION**

<b>2013 VOTE</b>	<b>2014 VOTE</b>	<b>2015 VOTE</b>	<b>2016 VOTE</b>
<b>97% FOR</b>	<b>98% FOR</b>	<b>96% FOR</b>	<b>96% FOR</b>

**We Are Committed to Our Compensation Programs**

Our Compensation Committee and our NEOs viewed the 2013, 2014, 2015 and 2016 shareholder advisory votes regarding executive compensation as strong support in favor of our compensation programs, our compensation decisions and our commitment to excellence in compensation governance.

We discussed our compensation programs with many of our shareholders and other parties during these years in order to better understand their views regarding our compensation programs. Those views have informed our decisions regarding our compensation programs.

Since 2013, our Compensation Committee has continued to refine our PRSU program and has increased the portion of the total compensation awarded to our NEOs that is tied directly to the achievement of three-year, forward-looking performance goals. As further discussed under [Design of Our Compensation Programs](#) [Performance-Based Compensation](#) [Refinement of the PRSU Program](#) below, for awards granted in 2017 in respect of 2016 compensation, the Compensation Committee has introduced a new performance metric, modified certain scoring requirements in light of the evolving macroeconomic environment and the Company's goals and objectives, and limited certain scores that can be achieved under the program. The aggregate effect of these refinements is to further increase the overall rigor of the PRSU program to better reflect the current environment.

Since 2013, our Compensation Committee has refined the structure of its NEO evaluation and compensation decision-making process. The Compensation Committee has increased its focus on pre-defined individual goals and firm-wide financial goals, as well as the Company's progress toward key strategic metrics, in determining the amount of incentive compensation awarded to our NEOs.

Since 2013, our Compensation Committee has continued to apply our discipline on compensation expense to our NEOs, even during periods of outstanding performance.

**OUR COMPENSATION PHILOSOPHY AND OBJECTIVES**

[We Strive to Retain and Attract Talented Individuals](#). Our people are our most important asset. It is imperative to continue to retain, attract and motivate executives and professionals of the highest quality and effectiveness.

We prudently invest in human capital. Our compensation programs focus on retaining and attracting proven senior professionals who have strong client relationships,

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valuable industry expertise and demonstrated money management skills, and who understand our culture and the needs of our business. Our Compensation Committee is committed to awarding these individuals levels of compensation that are commensurate with the value that they bring to the Company and appropriate in light of competitive compensation considerations.

Our compensation programs help to effectively retain our human capital. We believe our overall levels of compensation, as well as the structure of our long-term incentive awards, have helped us successfully retain and motivate our NEOs and other key employees. We believe our compensation policy has been effective, enabling us to retain and attract key people and resulting in low voluntary attrition.

We Pay for Performance. We firmly believe that pay should be tied to performance. Superior performance enhances shareholder value and is a fundamental objective of our compensation programs.

Most of the compensation we pay is based on performance. Compensation for each of our NEOs, 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. Our performance-based incentive compensation awards, which we award annually, generally include cash bonuses, PRSUs, RSUs, restricted shares of Class A common stock, or restricted stock, and Lazard Fund Interests, or LFIs.

Performance-based compensation is the principal component of our compensation strategy. We have tailored our compensation programs so that incentive compensation can be highly variable from year to year. Incentive compensation is awarded based on our financial results in the immediately preceding fiscal year, as well as each individual's contribution to those results and to the Company's development, including business unit performance. We also consider competitive compensation practices in the financial services industry, as well as the views of our shareholders.

We grant at-risk, forward-looking, performance-based long-term incentive awards. The Compensation Committee has adopted a long-term incentive program under which it grants at-risk performance-based awards to our NEOs that are based on three-year forward-looking performance metrics and that could involve potential payouts equal to zero.

Since 2013, the Compensation Committee has refined the PRSU program by, among other matters, reducing the maximum potential payout, extending the vesting schedule, modifying the scoring requirements with respect to certain performance metrics and establishing a fully prospective three-year performance period.

The Compensation Committee further refined the PRSU program with respect to PRSU awards granted in 2017 in respect of 2016 compensation by introducing a new performance metric and modifying certain scoring requirements in light of the

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evolving macroeconomic environment and the Company's goals and objectives. See Design of Our Compensation Programs Performance-Based Compensation Refinement of the PRSU Program below. The aggregate effect of these refinements is to further increase the overall rigor of the PRSU program to better reflect the current environment.

We grant long-term awards with multi-year vesting horizons and value that fluctuates with performance. The PRSUs, RSUs and restricted stock awarded to our NEOs, as applicable, and employees align the interests of our NEOs and employees with the interests of our shareholders and link the value of these awards to performance as the value that each individual realizes upon vesting depends:

for PRSUs, RSUs and restricted stock, on the long-term performance of our Class A common stock;  
and

for PRSUs, on the performance of our business as measured against specific performance goals.

Our long-term equity awards serve as a retention mechanism. By subjecting our long-term equity awards to service-based vesting conditions, they help to retain our NEOs and employees, giving shareholders the stability of highly productive, experienced management and employees who help to perpetuate our strong firm culture.

We are Committed to Compensation Governance and Independence. Our Compensation Committee, which oversees our compensation philosophy, is committed to ensuring that our compensation programs conform to our pay-for-performance paradigm.

We maintain an independent Compensation Committee. Our Compensation Committee is comprised solely of independent directors. In 2016, the Board rotated the independent chairman of the Compensation Committee, and in 2017, the Board added a new independent director to the Compensation Committee.

Our Compensation Committee continually reassesses our compensation programs. The Compensation Committee monitors the effectiveness of our compensation programs throughout the year, and performs a specific annual reassessment of the programs in the first quarter of each year in connection with year-end compensation decisions.

Our Compensation Committee engages an independent compensation consultant. The Compensation Committee has directly and independently engaged CAP, a compensation consulting firm, to assist it with compensation analyses, including through the use of compensation data of certain of our competitors, and to advise it with respect to compensation decisions. CAP does not perform any work for the Company other than advising the Compensation Committee with respect to compensation matters and the Nominating & Governance Committee with respect to the compensation of the independent members of our Board of Directors. The Compensation Committee has concluded that none of CAP's work to date has raised any conflicts of interest.



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We conduct an annual shareholder advisory vote regarding executive compensation. We value our shareholders' views regarding many topics, including compensation for our NEOs. Our shareholders asked us to annually solicit their feedback on our compensation programs, and we hold an annual advisory vote regarding executive compensation. As demonstrated by our actions, the Compensation Committee strongly considers the results of the vote, as well as related feedback provided by shareholders, as part of its annual assessment of our compensation programs. We encourage our shareholders to engage with us throughout the year in constructive dialogue regarding our compensation programs.

We have an anti-hedging policy, stock ownership guidelines and a clawback policy. We have an anti-hedging policy applicable to our NEOs. We also have robust stock ownership guidelines and a compensation clawback policy, both of which are applicable to our NEOs. See "Design of Our Compensation Programs - Other Features" below.

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**EXECUTIVE COMPENSATION PRACTICES: WHAT WE DO**

**Pay for Performance.** We tie pay to performance. Other than base salaries, none of our NEOs' compensation for 2016 was guaranteed. We review financial results and goals for the Company, as well as individual achievement, in determining NEO compensation. We grant performance-based equity awards, including awards based on transparent, objective, three-year forward-looking performance metrics.

**Apply Multi-Year Vesting to Equity Awards.** The PRSUs granted to our NEOs in 2017 in respect of 2016 compensation vest approximately three years after the grant date, assuming satisfaction of the performance goals and the service conditions.

**Utilize Stock Ownership Guidelines.** We have clear stock ownership guidelines, which all of our NEOs exceed. In addition, our directors receive a majority of their annual compensation in the form of DSUs, which are not settled, and therefore remain invested in the Company, until the director leaves our Board of Directors.

**Employ Clawback and Anti-Hedging Policies.** We have compensation clawback and anti-hedging policies applicable to our NEOs.

**Have a Lead Director and a High Proportion of Independent Directors.** Approximately 80% of the members of our Board of Directors are independent, and all members of the Committees of the Board of Directors, including the Compensation Committee, are independent directors. In addition, our Board of Directors has a Lead Director, who is an independent member of the Board of Directors and a member of all Committees of the Board of Directors, including the Compensation Committee.

**Retain an Independent Compensation Consultant.** Our Compensation Committee consults with CAP, its independent compensation consultant, in connection with our compensation programs generally and NEO compensation specifically.

**Engage in Shareholder Outreach.** We proactively engage with our shareholders and other interested parties to discuss our compensation programs and objectives.

**Utilize a Structured NEO Compensation Process.** Our Compensation Committee employs a structured evaluation and decision-making process, which involves a focus on the Company's financial results, the Company's progress regarding key strategic metrics and the Company's performance with respect to specific pre-defined goals identified by the Compensation Committee at the beginning of the year.

**Mitigate Undue Risk.** We do not believe that our compensation programs create risks that are reasonably likely to have a material adverse effect on the Company.

**Offset Equity Award Dilution.** We monitor the potentially dilutive impact of the equity component of our compensation programs and seek to offset that impact by repurchasing shares of our Class A common stock.





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**EXECUTIVE COMPENSATION PRACTICES: WHAT WE DON T DO**

- X **No Single-Trigger Vesting.** Year-end equity-based incentive awards granted to our NEOs do not automatically vest upon a change in control.
  
- X **No Excise Tax Gross-Ups Upon Change in Control.** We do not provide excise tax gross-ups to our NEOs in connection with change in control payments.
  
- X **No Enhanced Change in Control Severance.** We do not provide enhanced severance to our NEOs if they are terminated in connection with a change in control.
  
- X **No Guaranteed Bonuses.** We do not provide guaranteed bonuses to any of our NEOs. Other than base salaries, none of our NEOs' compensation for 2016 was guaranteed. Instead, all such compensation was at risk based on performance.
  
- X **No Hedging Transactions or Short Sales.** We prohibit our NEOs from entering into hedging transactions or short sales in respect of our Class A common stock.

**DESIGN OF OUR COMPENSATION SYSTEMS BASE SALARY**

**Base Salary.** Base salaries are intended to reflect the experience, skill and knowledge of our NEOs, 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 are approved by our Compensation Committee.** During 2016, each of our NEOs was a party to a retention agreement with the Company that provided for a minimum annual base salary during the term of the agreement. Base salaries for our NEOs and any subsequent adjustments thereto are reviewed and approved by the Compensation Committee annually, after consultation with its independent compensation consultant. For 2016, the Compensation Committee once again determined to maintain base salaries at the minimum level set forth in the retention agreements. Although we entered into amended retention agreements with our NEOs in March 2016, their minimum annual base salaries remain unchanged (and have remained unchanged for over five years). See Compensation of Executive Officers Retention Agreements with our NEOs below.

Base salaries are the only component of our NEOs' compensation that is not tied to performance. As further described below under "Design of our Compensation Programs - Performance-Based Compensation", all other forms of compensation that we pay to our NEOs are at risk and linked to performance.

Base salaries represent a small proportion of total NEO compensation. As described below under "2016 Compensation for Each of Our NEOs", a substantial majority of the compensation that we pay to our NEOs is performance-based compensation.

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**DESIGN OF OUR COMPENSATION SYSTEMS PERFORMANCE-BASED COMPENSATION**

Cash Bonuses. Except for base salaries, all cash compensation opportunity is based on a combination of Company and individual performance. Accordingly, the cash compensation paid to our NEOs and employees as a group has fluctuated from year to year, reflecting changes in the Company's performance and financial results, as well as individual performance.

PRSU Awards. PRSUs are restricted stock units that are subject to both performance-based and service-based vesting conditions.

PRSU awards are performance-based awards that support the generation of shareholder value. We believe our PRSU awards support the generation of shareholder value by aligning the long-term interests of our NEOs with those of our shareholders. Because the amount an individual realizes upon the vesting of PRSUs directly depends on the performance of our business, as well as the value of our Class A common stock at that time, each individual who receives a PRSU award becomes, economically, a long-term shareholder of the Company, with interests aligned with the interests of other shareholders.

PRSU awards subject the NEOs to risk of total loss of a critical component of annual compensation. PRSU awards supplement our existing risk-based long-term incentive compensation programs by subjecting a substantial proportion of the total compensation payable to each of the NEOs for a given prior year (approximately 60% of the 2016 compensation for our CEO and 50%-60% of the 2016 compensation for our other NEOs) to full risk of loss based upon the long-term future financial performance of our business, measured against objective, pre-established performance goals.

PRSU awards involve a transparent payout mechanism. PRSU awards advance our goal of implementing transparent compensation practices. The performance metrics that must be satisfied in order for PRSUs to vest are tied to factors that we consider to be critical measures of our success and our ability to build value for our shareholders. Importantly, virtually all of the financial information regarding the Company that is used in measuring the Company's performance with respect to these metrics is available to shareholders, including through our year-end earnings releases. PRSUs allow our shareholders to know, in advance, how this substantial component of compensation for the NEOs will be measured and paid.

Payouts under PRSU awards are based on objective financial metrics. The number of shares of Class A common stock that a recipient will realize upon vesting of a PRSU award will be calculated by reference to financial metrics that were chosen because they are indicative of the Company's overall performance, rather than individual performance, both on an absolute and a relative basis. These metrics rely on criteria such as revenue growth, returns to shareholders and operating margin. At the measurement times, each of the metrics is assigned a score based on our performance. Such scores are generally weighted evenly over the performance



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period, with the ultimate level of payout for the awards determined by reference to the weighted numeric score, subject in the case of a total score above 2.0 to downward adjustments, as described below. PRSU awards look to pre-established metrics of the Company's performance and link payout directly to scores awarded for such metrics.

Payouts under PRSU awards will depend on long-term financial performance and could be equal to zero. The target number of shares of our Class A common stock subject to each PRSU is one. Based on the achievement of performance criteria, as confirmed by the Compensation Committee, the number of shares of our Class A common stock that may be received in connection with each PRSU will range from zero to two times the target number. PRSUs granted in 2017 in respect of 2016 compensation are contingent on our performance over the three-year period beginning on January 1, 2017 and ending on December 31, 2019. Unless applicable performance conditions are satisfied during this period, all such PRSUs will be forfeited, and the NEOs will not be entitled to any payments with respect to such awards.

Payouts under PRSU awards are determined, in part, by reference to the performance of our peers. As further discussed below, the financial metrics used to calculate payouts under PRSU awards include a relative measure. By including this measure, our Compensation Committee intended that our performance be judged, in part, against what our competitor companies were able to accomplish under the same general market conditions during the performance period.

PRSU awards help retain our NEOs. PRSU awards also serve as an important retention mechanism by subjecting a significant portion of each NEO's compensation to forfeiture if he leaves the firm prior to the vesting date. As a result, we believe our NEOs have a demonstrable and significant interest in remaining with the Company and increasing shareholder value over the long term.

PRSU awards also include restrictive covenants and other terms and conditions. PRSU awards are typically made following our year-end earnings release. In 2017, PRSUs were granted to each of our NEOs in February. The target number of shares of Class A common stock that are subject to these PRSUs was determined in the same way that the number was derived for all of our employees, by dividing the dollar amount allocated to be granted to the NEO as a PRSU award (at the target payout level) by the average NYSE closing price of our Class A common stock on the four trading days ending on February 7, 2017 (\$43.57). The PRSUs granted in February 2017 will vest on or around March 2, 2020, assuming satisfaction of the performance conditions and service-based vesting conditions. The PRSUs will not automatically vest in the event of a change in control, but rather will require a subsequent qualifying termination in order to be eligible for accelerated vesting, with certain variations to reflect the impact of a termination of employment or a change in control on performance conditions. See "Compensation of Executive Officers Potential Payments Upon Termination or Change in Control" below. In exchange for their PRSU awards, our NEOs agreed to restrictions on their ability to compete with the Company and to solicit our clients and employees, which protect the Company's intellectual and human capital. In the event we declare cash dividends on our Class A common stock

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during the performance period for such PRSUs, our NEOs will receive a number of RSUs equivalent in value to the amount of such dividends with respect to the target number of shares subject to such PRSUs (or, in the event we declare cash dividends following the relevant performance period, the number of shares subject to such PRSUs that have been earned based on the achievement of performance conditions). These RSUs will not be subject to vesting based on the performance conditions, but will be subject to the service conditions of the underlying PRSUs.

PRSUs advance our pay-for-performance paradigm. By coupling the potential value of the PRSUs with our degree of financial success, we believe we have created another strong link between value realized by our shareholders and value to the NEOs. Each NEO knows at the beginning of a fiscal year that the year is a component of three-year, forward-looking PRSU performance measurement periods and that his compensation under PRSU awards will be determined in part based on the Company's performance during that fiscal year. Each NEO is updated at least annually on our performance with respect to the PRSU performance metrics.

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**PRSU FINANCIAL METRICS**

The Compensation Committee determined that three financial ratios are the most appropriate and, taken together, comprehensive financial metrics for purposes of PRSU awards granted in 2017 in respect of 2016 compensation: our Volatility Adjusted Revenue Growth Ratio, or VARGR, our Capital Return Ratio, or CRR, and our Awarded Operating Margin, or AOM, each of which is described in further detail below. Collectively, the VARGR, CRR and AOM metrics align directly with our long-term strategy of driving shareholder returns through high-quality revenue and earnings growth, focusing on reducing volatility, managing operating margin and returning capital to our shareholders. These performance metrics also reflect, among other things, the manner in which the Compensation Committee measures the success that the NEOs can achieve in executing our long-term strategy and managing our business for the benefit of our shareholders. An explanation of each financial ratio applicable to PRSU awards granted in 2017 in respect of 2016 compensation is set forth below.



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**Table of Contents****Volatility Adjusted Revenue Growth Ratio Relative Performance Measure**

We seek to generate stable, high-quality revenue growth, and we believe 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. 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. And, as described in more detail below, we evaluate this metric against the members of a relevant peer group. An explanation of the VARGR metric (which, as described under Refinement of the PRSU Program below, was refined for PRSU awards granted in 2017 in respect of 2016 compensation) is set forth below.

- Step 1: We establish the annual operating revenue growth rate for each of our two primary revenue-generating businesses (i.e., Financial Advisory and Asset Management) for each year within the three-year performance period. We adjust this growth rate for debt valuation adjustment, and for certain acquisitions that may have occurred during the period, in each case, if applicable, as these items can substantially affect reported revenues and can reduce comparability among us and our peers. We then combine each of these operating revenue growth rates into a single compound operating revenue growth rate for each business for the entire performance period.
- Step 2: We divide the compound operating revenue growth rates established in Step 1 by the historical volatility of the applicable business compound operating revenue growth rate (i.e., the standard deviation in the applicable business compound operating revenue growth rate over the applicable preceding ten-year periods, including the last year of the performance period). This normalizes the compound operating revenue growth rate and reduces the disproportionate impact of any nonrecurring events that may have occurred in a given year. Ultimately, this enhances compound operating revenue growth rate comparability among us and our peers. The value we obtain is the applicable business VARGR.
- Step 3: We determine our peers VARGRs, in each case using the most appropriate revenue statistic and applying Steps 1-2 above. The peer group for PRSUs granted in 2017 in connection with 2016 compensation is: (i) for purposes of our Asset Management business revenue, Aberdeen, AllianceBernstein, BlackRock, Franklin Resources, Invesco, Legg Mason, Schroders and T. Rowe Price, and (ii) for purposes of our Financial Advisory business revenue, Bank of America Merrill Lynch, Citigroup, Credit Suisse, Evercore, Goldman Sachs, JP Morgan, Morgan Stanley and UBS (in each case considering only the financial advisory revenue of the applicable Financial Advisory peer). We selected this aggregate peer group, which is different than the peer group used for comparative compensation analyses described under 2016 Compensation for Each of Our NEOs below, because we feel that this aggregate peer group more accurately reflects the companies with which we actively compete in the financial services industry (without regard to their relative size, which may be relevant to compensation, but not relevant to their indicative growth rates).



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Step 4: Using the table below, we determine the VARGR score for each of our businesses based on its VARGR ranking relative to the VARGRs of its peers. We then determine our consolidated VARGR score by combining the VARGR scores of our businesses, weighting them for this purpose in proportion to their relative contribution to our consolidated operating revenue during the relevant period (for this purpose, the operating revenue of our corporate segment is not considered).

<b>Lazard Business VARGR Percentile Rank</b>	<b>VARGR Score</b>
Lazard Business Rank < 20%	0.00
Lazard Business Rank = 20%	0.30
Lazard Business Rank = 40%	0.90
Lazard Business Rank = 60%	1.60
Lazard Business Rank ≥ 80%	2.25

If our VARGR ranking is between levels set forth in the table above, we will use linear interpolation to determine our VARGR score based on the scores provided for the closest levels.

**Table of Contents****Capital Return Ratio – Absolute Performance Measure**

We endeavor to return capital to our shareholders, including by paying dividends to our shareholders, repurchasing equity and minimizing the need for additional capital in our business. We believe that our shareholders value our success in returning capital to them, and that the CRR performance metric aligns directly with our objective of returning capital. An explanation of the CRR metric is set forth below.

- Step 1: For each year during the performance period, we first calculate capital returned to shareholders, which we define for this purpose as (A) the aggregate value of dividends paid to our shareholders during the year, plus (B) the aggregate amount of funds used for equity repurchases during the year, plus (C) the value of our Class A common stock withheld for tax purposes during the year upon vesting of equity-based awards.
- Step 2: For the same year, we calculate our cash flow during the year, which we define for this purpose as (A) our net income for the year, calculated in the adjusted manner set forth in our annual earnings release for the year (primarily to enhance comparability between periods), plus (B) the amortization expense arising from year-end equity-based and LFI awards recorded during the year, plus (C) aggregate cash proceeds received from any new equity or debt issuances, other than with respect to an acquisition during the year, minus (D) the value of amounts used to fund investments relating to LFI awards during the year, minus (E) amounts used to reduce outstanding debt during the year.
- Step 3: We establish our CRR for the entire three-year performance period by dividing (A) the sum of the amounts obtained in Step 1 for each year in the performance period by (B) the sum of the amounts obtained in Step 2 for each year in the performance period. We then determine our CRR score based on the table set forth below.

<b>Lazard CRR</b>	<b>CRR Score</b>
CRR < 65%	0.00
CRR = 65%	0.50
CRR = 75%	1.00
CRR = 85%	1.60
CRR ≥ 95%	2.25

If our CRR is between levels set forth in the table above, we will use linear interpolation to determine our CRR score based on the scores provided for the closest levels.



Table of ContentsAwarded Operating Margin Absolute Performance Measure

Our objective is to effectively manage our operating costs. By managing our operating margin over time, we seek to advance our ultimate objective of increasing shareholder returns. We retain this objective even in years where revenue remains flat or declines, in which case we aim to stabilize and reduce our expenses. In that regard, we have implemented a new performance metric, which we refer to as awarded operating margin, or AOM, pursuant to which our NEOs are incentivized to improve our AOM.

We have established a formula that sets, for any year, a reference AOM against which our actual AOM can be compared and our performance can be evaluated. We begin by calculating the change in our operating revenue during the relevant year as compared to the previous year. Subsequently, we examine how that operating revenue change should be allocated to our shareholders by establishing, pursuant to the formula, the primary components of AOM, which are our awarded compensation expense and non-compensation expense. We compare the resultant reference AOM to our actual AOM for the relevant year, and the variance between our actual AOM and the reference AOM results in our AOM score. Specifically, the AOM score will be determined as follows:

Step 1: For each year during the performance period, we first calculate our operating revenue change for the relevant year, which we define for this purpose as the percentage difference between our operating revenue for the relevant year and our operating revenue for the immediately preceding year.

Step 2: We then calculate a reference AOM for the relevant year, which we define for this purpose as:

(A) our operating revenue for the relevant year, *less*

(i) our awarded compensation expense for each segment of our business for the previous year, in each case adjusted by a pre-determined ratio of our operating revenue change (which ratio will vary according to our businesses, the extent of the operating revenue change, and depending on whether the operating revenue change is positive or negative)<sup>1</sup>, *less*

(ii) (X) 75% of our non-compensation expense for the previous year (which allocation we believe generally reflects the fixed portion of our non-compensation expense over time), as adjusted for nominal growth, and (Y) the balance of our non-compensation expense for the previous year, adjusted by our operating revenue change,

with the result of such calculation *divided by*

(B) our operating revenue for the relevant year.

<sup>1</sup> For years in which we have met our compensation expense ratio goals and with respect to which we have experienced some operating revenue change, such ratio generally ranges from 1.0 to 0.30 for each of our Financial Advisory and Asset Management businesses, depending on whether the operating revenue change is a positive or negative value. For other years, the relevant ratio generally would be outside of this range. For each of the last three years, the relevant ratio for each of our Financial Advisory and Asset Management businesses would have been within

this range.

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Step 3: We determine our AOM score based on our actual AOM for the relevant year relative to the reference AOM calculated in Step 2. We determine our AOM score for the entire three-year performance period by computing the arithmetic average of the AOM scores for each year during the period. The AOM scoring table is below.

<b>Lazard AOM</b>	<b>AOM Score</b>
AOM $\leq$ Reference AOM - 2.00 Percentage Points	0.00
AOM = Reference AOM - 1.25 Percentage Points	0.50
AOM = Reference AOM - 0.75 Percentage Point	0.75
AOM = Reference AOM	1.00
AOM = Reference AOM + 0.5 Percentage Point	1.50
AOM $\geq$ Reference AOM + 1.25 Percentage Points	2.25

If our actual AOM is between levels set forth in the table above, we will use linear interpolation to determine our AOM score based on the scores provided for the closest levels.



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**Table of Contents****REFINEMENT OF THE PRSU PROGRAM**

The Compensation Committee and our NEOs believe that the PRSU program is an important system that supports the generation of shareholder value over time. In light of this important purpose of the PRSU program, as well as the fact that macroeconomic conditions and the Company's goals and objectives evolve over time, the Compensation Committee and our NEOs reassess the PRSU program at regular intervals. We believe that, since our introduction of the PRSU program in 2012, this continual process has enhanced the link between the performance metrics, scoring system and other elements of the PRSU program that have applied to new awards and the Company's performance over the subsequent three-year performance period to which those awards relate.

In late 2016 and early 2017, the Compensation Committee, its independent compensation consultant, CAP, and our NEOs reviewed the PRSU program with respect to the PRSU awards that would be granted in early 2017. Following this review, the Compensation Committee determined, and the NEOs agreed, that the following program refinements all of which are consistent with the objectives of the PRSU program described under Design of Our Compensation Systems Performance-Based Compensation above were in line with the Company's evolving goals and objectives and were likely to support the generation of shareholder value over time. We also believe that the aggregate effect of these refinements is to further increase the overall rigor of the PRSU program to better reflect the current environment.

Peer Group Updates. The Compensation Committee and our NEOs recognize that the competitive environment in which we operate is dynamic. In order to accurately assess our own competitive performance, we analyze our achievements against the results of our peers, and we must regularly reassess whether the peer group we use for this purpose should be refined. As they have done in prior years, in early 2017, the Compensation Committee and our NEOs undertook a thorough analysis of the peer group applicable to the VARGR relative performance metric that would apply to PRSU awards granted in 2017 in respect of 2016 compensation and determined to (i) apply separate peer groups to the performance measurement for each of our Asset Management and Financial Advisory businesses (as their fundamental competitor groups are different), and (ii) update those peer groups in recognition of the evolving competitive landscape. These new peer groups are described under PRSU Financial Metrics above.

Reduction of maximum possible metric scores. As further discussed under PRSU Financial Metrics above and PRSU Scoring below, each of the three performance metrics that apply to a PRSU award give rise to an individual score. Generally, each score is weighted equally in order to determine the final score under the PRSU award and, consequently, the level of payout under the PRSU award. For PRSU awards granted in recent years, the maximum score for each individual performance metric has been 3.0, and the maximum final score under the PRSU award has been 2.0. In early 2017 the Compensation Committee determined, and the NEOs agreed, that PRSU awards granted in 2017 in respect of 2016 compensation should limit the maximum score for each individual performance metric to 2.25 (instead of 3.0) and that the maximum final score under the PRSU award should continue to be 2.0.

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Scoring matrix changes. As further discussed under PRSU Financial Metrics above, a scoring matrix applies to each individual PRSU award metric. The Compensation Committee and our NEOs regularly reassess the scoring matrices applicable to the PRSU financial metrics to confirm their appropriateness for new PRSU awards. In early 2017 the Compensation Committee determined, and the NEOs agreed, to modify the scoring matrices for the VARGR and CRR metrics under PRSU awards granted in 2017 in respect of 2016 compensation.

Awarded Operating Margin. Since early 2012, the PRSU program has involved a performance metric called Operational Leverage Ratio, or OLR. The OLR metric was based on our goal to effectively manage our costs, including our compensation expense, over time, to grow our firm-wide awarded compensation expense at a slower rate than the rate of our revenue growth, and to enhance our operating leverage in a rising revenue environment. Our operating revenue in 2016 was \$2,344 million, near our record operating revenue of \$2,380 million in 2015, and, in 2016, our operating revenue was 24% higher than our operating revenue in 2011, the year before the Compensation Committee implemented the OLR metric. Over the same period, our awarded compensation expense increased only 12%, compared to the 24% increase in our operating revenue, and our awarded operating margin increased from 16.7% in 2011 to 25.6% in 2016. This strong performance reflected our outstanding operating leverage over the period and, we believe, the link between the OLR metric specifically and the PRSU program more generally and the generation of superior performance and shareholder value over time. In early 2017, the Compensation Committee and our NEOs sought to refine the objective on which the OLR metric was originally based recognizing, in part, the volatile markets in which the Company currently operates and the accomplishments of the Company over the previous five years. The Compensation Committee therefore implemented the AOM metric to replace the OLR metric for PRSU awards granted in 2017 in respect of 2016 compensation. The AOM metric, like the OLR metric, is focused on our long-standing goals to effectively manage our costs, including our compensation cost, over the cycle. As further discussed under PRSU Financial Metrics above, the AOM metric allows us to more specifically evaluate our actual AOM for a fiscal year against our own historical performance, as adjusted based on objective, pre-determined criteria which reflect our ambitious goals.

**Table of Contents****PRSU SCORING**

Generally, each of the three performance metrics (VARGR, CRR and AOM) is weighted equally. The determination of the number of PRSUs that may ultimately vest under each award generally will be based on the Company's cumulative performance over the three-year performance period. The scoring corresponds directly to the level of achievement of performance goals (taking into account any applicable interpolation).

For example, the achievement of a score of 1.50 for the cumulative three-year performance period would translate into payout of the PRSU award at 1.50 times the target level (subject to achievement of the service-based vesting condition), but an overall score above 2.0 would automatically be reduced to 2.0, thereby capping payout of the PRSU award at two times the target level. Similarly, the achievement of a score of 0.50 for the cumulative three-year performance period would translate into payout of the PRSU award at 0.50 times the target level (subject to achievement of the service-based vesting condition).

Each of the three performance metrics will also be evaluated on an annual basis at the end of each fiscal year during the performance period. For this purpose, the same scoring ranges, weighting system and reference points will be used, but the evaluation will be based solely on performance during that fiscal year. If the Company achieves an aggregate score of at least 1.0 with respect to such 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 PRSUs will no longer be at risk based on achievement of the performance criteria. Any such PRSUs will remain subject to the service-based vesting criteria described herein (and the total payout with respect to such PRSUs could increase based on the Company's performance over the performance period). The Compensation Committee retains full discretion with respect to the interpretation and application of the scoring systems described above.

Additional information regarding the scoring of outstanding PRSU awards is set forth below. As described under Refinement of the PRSU Program above, the PRSUs granted in 2016, 2015 and 2014 in respect of 2015, 2014 and 2013 compensation, respectively, are based on the Company's performance with respect to VARGR, CRR and OLR, respectively. For a more detailed description of the OLR metric and the scoring applicable to OLR, VARGR and CRR metrics for the PRSUs granted in 2016, 2015 and 2014, see the discussions under Compensation Discussion and Analysis PRSU Financial Metrics in our annual proxy statement filed with the SEC on March 10, 2016, Compensation Discussion and Analysis Design of Our Compensation Programs Performance-Based Incentive Compensation in our annual proxy statement filed with the SEC on March 16, 2015 and Compensation Discussion and Analysis Design of Our Compensation Programs Performance-Based Incentive Compensation in our annual proxy statement filed with the SEC on March 20, 2014, respectively.

Evaluation of Fiscal Year 2016 Performance for PRSUs Granted in 2016 and 2015 with Respect to 2015 and 2014 Compensation, Respectively. In early 2017, the Compensation Committee evaluated the Company's performance for 2016 with respect to VARGR, CRR and OLR under the PRSUs awarded to the NEOs in 2016 and 2015 with respect to 2015 and 2014 compensation, respectively. The Compensation Committee determined that the Company's performance on the three applicable metrics exceeded an aggregate score of

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1.0 for 2016. Accordingly, 25% of the total target number of shares of our Class A common stock underlying the PRSUs awarded to the NEOs with respect to 2015 and 2014 compensation are not subject to further achievement of performance goals. A similar determination was made by the Compensation Committee in early 2016 in respect of the Company's performance for 2015 on the three applicable metrics and, in early 2016, 25% of the total target number of shares of our Class A common stock underlying the PRSUs awarded to our NEOs in 2015 with respect to 2014 compensation similarly were no longer subject to further achievement of performance goals. However, all of these PRSUs remain subject to service-based vesting criteria that would be satisfied on or around March 1, 2019, in the case of the PRSUs granted in 2016 with respect to 2015 compensation, and on or around March 1, 2018, in the case of the PRSUs granted in 2015 with respect to 2014 compensation (and the total payout with respect to such PRSUs could increase based on the Company's performance over the relevant three-year performance period). The portion of PRSU awards that have not been subject to the scoring determinations described above remain subject to performance-based vesting criteria and to full risk of forfeiture if the applicable performance goals are not achieved.

Evaluation of Three-Year Performance for PRSUs Granted in 2014 with Respect to 2013 Compensation. In addition, in early 2017, the Compensation Committee evaluated the Company's performance during the period from January 1, 2014 to December 31, 2016 with respect to the PRSUs awarded to the NEOs in 2014 in respect of 2013 compensation. The Compensation Committee determined by formula that an aggregate score of 2.0 applied to the PRSUs awarded to the NEOs for 2013 compensation and, accordingly, the corresponding number of shares of our Class A common stock subject to such awards were no longer subject to such performance goals. All of these PRSUs awarded in 2014 with respect to 2013 compensation vested on March 1, 2017.

#### **DESIGN OF OUR COMPENSATION SYSTEMS OTHER FEATURES**

Long-Term Incentive Awards Are the Primary Component of Compensation for Our Most Senior Professionals. In February 2017, we applied a progressive formula based on total compensation for all of our NEOs, 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 generally reaches 60% (or 50% in our Asset Management business) for our highest paid managing directors.

Stock Ownership Guidelines. We have stock ownership guidelines for our NEOs, which require our CEO and the other NEOs to own shares of our Class A common stock, or equity awards that ultimately will vest into shares (including restricted stock, PRSUs (considered at the target payout level) and RSUs), equal to, in the case of our CEO, six times his base salary, and in the case of each other NEO, three times his base salary. Each NEO has five years from the date that the guidelines began to apply to the NEO to attain the required ownership levels. All of our NEOs currently exceed the required ownership levels. In addition, our non-employee directors receive a majority of their compensation in the form of DSUs that remain invested in the Company until they leave the Board of Directors.

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**Compensation Clawback Policy.** We have a compensation clawback policy for our NEOs. Pursuant to our clawback policy, if the Board of Directors determines that any bonus, incentive payment, equity award or other compensation awarded to or received by an NEO was based on any financial results or operating metrics that were achieved as a result of that NEO's intentional fraudulent or illegal conduct, we will seek to recover from the NEO such compensation (in whole or in part) as the Board of Directors deems appropriate under the circumstances and as permitted by law.

**Anti-Hedging Policy.** We have an anti-hedging policy for our NEOs that restricts them from engaging in hedging transactions with respect to our Class A common stock.

**Double-Trigger Vesting.** We apply double-trigger vesting for NEO long-term incentive awards. Any such awards will not immediately accelerate upon a change in control, but instead will require both a change in control and another customary event, such as a qualifying termination, to vest.

**No Enhanced Change in Control Severance.** We do not provide enhanced severance to our NEOs if they are terminated in connection with a change in control.

**No Excise Tax Gross-Ups.** The retention agreements for each of our NEOs do not provide for excise tax gross-up provisions and reflect feedback from our shareholders, evolving best practices and our commitment to excellence in compensation governance.

## **2016 COMPENSATION FOR EACH OF OUR NEOS COMPENSATION PROCESS**

Decisions with regard to incentive compensation are generally made in the first quarter of each year and are based on Company and individual performance in the prior fiscal year.

**Our Compensation Committee Approves NEO Compensation.** The Compensation Committee determines the total compensation package to be awarded to our CEO, Mr. Jacobs. Mr. Jacobs makes recommendations to the Compensation Committee as to the total compensation package to be awarded to our other NEOs. The Compensation Committee reviews and approves the total compensation package to be paid to our other NEOs and considers Mr. Jacobs' recommendations in its review. Mr. Jacobs reviewed with the Compensation Committee the performance of each of the other NEOs individually and their overall contribution to the Company in 2016. 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 NEOs is discussed.

**Our Compensation Committee Utilizes a Structured Decision-Making Process.** Our Compensation Committee employs a structured evaluation and decision-making process, which involves a focus on the Company's financial results, the Company's progress regarding key strategic metrics and the Company's performance with respect to specific pre-defined goals identified by the Compensation Committee at the beginning of the year. An illustration of the process used by the Compensation Committee for 2016 compensation decisions is set forth on the following page.

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**Structure of 2016 NEO Decision-Making Process**

**Review Business Performance**

**Key Metrics**

Achievement of Pre-Defined Goals, including Long-Term Financial Goals and Key Metrics Selected by Compensation Committee in Early 2016

Operating Margin

Return of Capital / Capital Management

Cost Discipline and Initiatives

Corporate Performance and Economic Conditions

See Selected Consolidated Financial Information above

**Rate Overall 2016 Business Performance**

**Below Par**

**Par**

**Above Par**

**Consider Reference Pay Ranges for Each Position**

Review competitive pay ranges, considering median peer data and market outlook

Consider market conditions

Review recent trends

Consider pay mix for each position

Develop reference pay ranges for each position and compare to the overall performance result (Below Par / Par / Above Par)

**Determine Compensation for Each Position**

Determine compensation for each NEO, considering position-specific reference pay range based on Company and individual results, and progress against Company and business unit, as appropriate, strategic objectives (described above)

Determine performance-based compensation mix (cash bonus vs. long-term incentive) for each NEO based on market trends, historical practice and other information

Our Compensation Committee Considers a Variety of Available Information. Before any year-end compensation decisions are made, the Compensation Committee reviews information from a variety of available sources.

Business Performance. In evaluating the total compensation packages awarded to our NEOs, the Compensation Committee considered the factors described under 2016 Business Performance Highlights above, as well as their individual contributions to the Company, the leadership, guidance, and other individual

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qualities that they bring to the Company, their desire to advance the implementation of compensation discipline throughout the firm and their desire to personally participate in this initiative.

Achievement of Financial Goals. In 2012, we articulated financial goals to our shareholders, including goals regarding our awarded compensation ratio, our adjusted non-compensation ratio and our return of capital strategy. We remained focused on these goals throughout 2016 and, in 2016, we achieved these goals. Since 2012, the Compensation Committee has reviewed the Company's progress with respect to these and other goals in determining the total compensation packages awarded to our NEOs and has considered that progress in connection with compensation decisions.

Financial Metrics. The Compensation Committee reviewed a variety of metrics relating to the Company's financial performance in evaluating the total compensation packages to be awarded to our NEOs. The Compensation Committee considered the Company's results and progress during 2016 regarding key strategic metrics, including operating revenue, awarded compensation, operating margin, cost savings and return of capital. The Compensation Committee also considered the Company's total shareholder return, or TSR.

Tally Sheets. The Compensation Committee reviewed a comprehensive tally sheet of all elements of each NEO's compensation. The tally sheets included information on cash and non-cash compensation for the past three fiscal years (including current and prior-year base salaries, annual bonuses, deferred cash awards, PRSUs, RSUs and LFI, if any), and the value of benefits and other perquisites paid to our NEOs, as well as potential amounts to be delivered under post-employment scenarios.

Competitive Compensation Considerations. The competition to attract and retain high-performing executives and professionals in the financial services industry is intense, and 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 NEOs, the Compensation Committee reviewed an analysis prepared by CAP regarding compensation levels for 2015 (the most recent year for which comprehensive data for our peers was available), and indicative trends for 2016 year-end compensation decisions, for comparable positions at the following financial services firms: Affiliated Managers Group Inc., Blackstone Group LP, Eaton Vance Corp., Evercore Partners Inc., Greenhill & Co., Inc., Invesco Ltd, Legg Mason, Inc., Raymond James, T. Rowe Price and Stifel Financial. We chose this comparator group because we compete in the same marketplace with these companies for highly qualified and talented financial service professionals. CAP noted that while it is difficult to choose a comparator group that provides an ideal comparison for these purposes, this comparator group was appropriate in light of our size and business mix. The Compensation Committee also reviewed data with respect to certain other companies with which we compete for financial service professionals, but that substantially exceed our market capitalization; however, this review was for informational purposes only and these companies served only as reference points to provide a broader perspective on competitive pay levels and practices.



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CAP's analysis compared the total direct compensation for our NEOs (calculated with respect to 2015 base salary and actual cash bonuses, deferred cash awards and PRSUs (valued at the target payout level and awarded in February 2016 in respect of 2015 compensation) to the total direct compensation for the appropriate named executive officers in the comparator group described above, or an appropriate subset of that comparator group, calculated based on compensation levels for 2015 (as reported in 2016). Peer data for 2016 was not fully available at the time of CAP's analysis. CAP constructed a compensation reference range for each of our NEOs based on the comparator data as follows: for Mr. Jacobs, \$9.5 million to \$12.5 million; for Mr. Bucaille, \$3.5 million to \$4.5 million; for Mr. Bhutani, \$9 million to \$12 million; for Mr. Hoffman, \$3.5 million to \$4.5 million; and for Mr. Stern, \$5.5 million to \$7.5 million. See 2016 Compensation for Each of Our NEOs Compensation Decisions below for a table describing the compensation paid to each of our NEOs for 2016, presented in the manner that it was considered by the Compensation Committee (which was similar to the methodology used by CAP in calculating total direct compensation paid by the firms in the comparator group).

While the Compensation Committee considered the level of compensation paid by the firms in the comparator group in connection with its compensation decisions, in order to maintain competitiveness and flexibility, the Compensation Committee did not target compensation at a particular level relative to the comparator group (or relevant subset of the group). This information was only one of several data points that the Compensation Committee considered in evaluating compensation for our NEOs.

### **2016 COMPENSATION FOR EACH OF OUR NEOS COMPENSATION DECISIONS**

2016 Base Salaries. We have retention agreements with our NEOs 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 the NEOs during the term of their respective agreements. See Compensation of Executive Officers Grants of Plan-Based Awards Retention Agreements with our NEOs below. The base salary paid in 2016 to Mr. Jacobs was \$900,000 and to each of Messrs. Bucaille, Bhutani, Hoffman and Stern was \$750,000, which, in each case, is the minimum base salary set forth in the respective retention agreement. Although we entered into amended retention agreements with our NEOs in March 2016, their minimum annual base salaries remained unchanged (and have remained unchanged for over five years).

2016 Incentive Compensation. As a general matter, the Compensation Committee noted that it was mindful of the compensation discipline that has been applied throughout the Company, and the ongoing leadership and support of each NEO in connection with that initiative.

In addition to the matters considered by the Compensation Committee with respect to each NEO, which are described in detail below, the Compensation Committee considered each NEO's positioning on an internal pay scale vis-à-vis managing directors within the Company and competitive compensation practices at other firms.

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Mr. Jacobs. The Compensation Committee noted that our Company performed extremely well in 2016 and delivered strong results. The Company continued to adhere to the financial goals set in 2012, which it successfully achieved in 2016 once again. The Company achieved annual operating revenue of \$2,344 million in 2016, down only 2% from the record level set in 2015, despite volatile markets. The Company's awarded operating margin was 25.6% in 2016, nearly flat versus the record level set in 2015, with awarded operating income up 59% since 2012. The Company's Financial Advisory business achieved a record level of operating revenue in 2016, notwithstanding the volatile market environment, and the Company's Asset Management business performed well in a difficult environment for active asset managers. The Company also returned \$692 million of capital to its shareholders in 2016. In evaluating incentive compensation for Mr. Jacobs, the Compensation Committee considered these important achievements, the other information regarding our Company's performance described under 2016 Business Performance Highlights above, and Mr. Jacobs' extensive individual accomplishments, including his significant contributions to the Company's Financial Advisory business that are described below. The Compensation Committee also considered the Company's TSR.

In addition, the Compensation Committee considered the goals and objectives established for Mr. Jacobs by the Compensation Committee in early 2016. These goals and objectives provided the Compensation Committee with a set of criteria that assisted the Compensation Committee in its evaluation of Mr. Jacobs' performance in 2016.

The Compensation Committee specifically noted the following accomplishments as a result of Mr. Jacobs' initiative, ongoing leadership and dedication during 2016:

the Company continued to execute a focused and well-received strategic plan;

the Company continued to actively communicate with shareholders and the analyst community regarding the strategic plan, enhancing investor awareness of the Company's business model, strategic objectives and accomplishments;

the Company continued to build on the successfully reorganized senior leadership team within the Company's Financial Advisory business;

the Company's senior leadership team continued to be united under Mr. Jacobs' leadership and guidance;

the Company continued to cultivate a culture of cost discipline throughout the firm and had proven its commitment to compensation cost control;

the Company continued to utilize and improve the new firm-wide performance assessment systems applicable to the Company's employees; and

the Company continued to successfully retain and attract valuable senior professionals.

In addition, the Compensation Committee considered Mr. Jacobs' individual contributions to the Company's Financial Advisory business, which have generated and are expected to



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continue to generate significant revenue for the Company, and have enhanced Lazard's valuable reputation as a preeminent financial advisory and asset management firm. Mr. Jacobs led and continues to lead teams within our Financial Advisory business that advised and continue to advise clients on significant merger and acquisition transactions during 2016 and 2017.

Together with its independent compensation consultant, the Compensation Committee thoroughly reviewed the Company's past compensation practices and the competitive compensation practices at other firms. The Compensation Committee also considered Mr. Jacobs' strong desire to implement compensation discipline throughout the firm, as well as the success of his efforts to strengthen leadership and coordination throughout the Company and his strategic vision. Based on the Company's 2016 financial performance, pay levels were reduced generally for the Company's senior professionals. Accordingly, Mr. Jacobs suggested, and the Compensation Committee agreed, that Mr. Jacobs' compensation package should be considered in that context.

Based on its review, the Compensation Committee decided to grant Mr. Jacobs an incentive compensation award of \$10.1 million, payable as follows: a PRSU award valued at \$6.6 million (based on the achievement of performance goals at the target level) and a \$3.5 million cash bonus. The PRSUs awarded to Mr. Jacobs constituted approximately 60% of Mr. Jacobs' total compensation for 2016. The total performance-based compensation awarded to Mr. Jacobs constituted approximately 92% of his total compensation for 2016.

The following charts show Mr. Jacobs' mix of fixed versus performance-based compensation, and cash incentive versus long-term incentive compensation, for 2016 (based on the achievement of performance goals with respect to the PRSUs at the target level).

By linking 60% of Mr. Jacobs' total compensation for 2016 directly to the future performance of our business through PRSUs, the majority of Mr. Jacobs' compensation for 2016 will be at risk based on our ability to achieve growth and produce value for our shareholders over the next three years, notwithstanding his accomplishments in 2016. Given the combination of base salary, annual cash bonus and PRSUs awarded to Mr. Jacobs for 2016, the Compensation Committee believes it has struck the right balance between paying for current performance, on the one hand, and the desire to keep Mr. Jacobs focused on the Company's long-term performance and continued growth, on the other hand.

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**Mr. Bucaille.** In evaluating incentive compensation for Mr. Bucaille, the Compensation Committee and Mr. Jacobs considered the significant leadership that Mr. Bucaille provides to the Company in his role as Chief Financial Officer. Mr. Bucaille has worldwide responsibility for corporate finance, accounting and tax matters at the Company, while continuing to maintain important client relationships. The Compensation Committee and Mr. Jacobs considered Mr. Bucaille's responsibility for establishing and implementing uniform internal policies within the Company, his contribution to the overall strength of the Company, his dedication in connection with his responsibilities as Chief Financial Officer, his efforts to implement new reporting and other systems within the Company, and his contribution toward the achievement of the Company's financial goals. The Compensation Committee and Mr. Jacobs also noted Mr. Bucaille's contribution toward the Company's return of capital during 2016. The Compensation Committee approved the following incentive compensation for Mr. Bucaille for his performance in 2016: Mr. Bucaille received a cash bonus of \$852,500 and a PRSU award valued at \$2.198 million (based on the achievement of performance goals at the target level). The PRSUs awarded to Mr. Bucaille constituted approximately 58% of his total compensation for 2016. The total performance-based compensation awarded to Mr. Bucaille constituted approximately 80% of his total compensation for 2016.

**Mr. Bhutani.** In evaluating annual incentive compensation for Mr. Bhutani, the Compensation Committee and Mr. Jacobs considered his leadership and level of performance as the CEO of LAM and his commitment to the development and performance of LAM, as well as the strong overall performance of our Asset Management business in 2016, including the financial measures described under "2016 Business Performance Highlights" above. In a difficult environment for active asset managers, our Asset Management business's operating revenue in 2016 was \$1,031 million, down only 5% from 2015. In addition, our Asset Management business achieved year-end assets under management, or AUM, of \$198 billion in 2016, an increase of 6% over year-end AUM of \$186 billion in 2015, with positive net flows for the year. Based on LAM's 2016 financial performance, pay levels were reduced generally for LAM senior management. Accordingly, Mr. Jacobs and Mr. Bhutani suggested, and the Compensation Committee agreed, that Mr. Bhutani's compensation package should be considered in that context. The Compensation Committee approved the following incentive compensation for Mr. Bhutani for his performance in 2016, reflecting an aggregate 6% reduction from the comparable 2015 level: Mr. Bhutani received a cash bonus of \$2.95 million, a PRSU award valued at \$4.625 million (based on the achievement of performance goals at the target level) and a deferred cash award of \$925,000. In light of Mr. Bhutani's existing substantial level of investment in funds and other products managed by LAM, including investments through previously granted and outstanding LFI awards, the Compensation Committee determined to grant all of Mr. Bhutani's 2016 long-term incentive compensation in the form of PRSUs. This provided Mr. Bhutani with a mix of compensation that was consistent with the mix paid to the other NEOs. The PRSUs awarded to Mr. Bhutani constituted approximately 50% of his total compensation for 2016. The total performance-based compensation awarded to Mr. Bhutani constituted approximately 92% of his total compensation for 2016.

**Mr. Hoffman.** In evaluating incentive compensation for Mr. Hoffman, the Compensation Committee and Mr. Jacobs considered the significant leadership that Mr. Hoffman provides to the Company in his role as General Counsel. Mr. Hoffman has wide-ranging responsibility for overseeing worldwide legal and compliance operations at the Company, as well as diverse

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responsibilities for overseeing internal audit, global communications, legislative and regulatory affairs and other areas. The Compensation Committee and Mr. Jacobs considered Mr. Hoffman's responsibility for establishing and implementing uniform internal policies within the Company, his contribution to the overall strength of the Company, and his contribution toward the achievement of the Company's financial goals. Mr. Jacobs noted that Mr. Hoffman was a key contributor to the collective management team, providing leadership, advice and guidance to him, as CEO, and to the Compensation Committee, and the Compensation Committee and Mr. Jacobs further noted that Mr. Hoffman also provides such advice and guidance to the Board of Directors. The Compensation Committee approved the following incentive compensation for Mr. Hoffman for his performance in 2016: Mr. Hoffman received a cash bonus of \$912,500 and a PRSU award valued at \$2.338 million (based on the achievement of performance goals at the target level). The PRSUs awarded to Mr. Hoffman constituted approximately 58% of his total compensation for 2016. The total performance-based compensation awarded to Mr. Hoffman constituted approximately 81% of his total compensation for 2016.

**Mr. Stern.** In evaluating annual incentive compensation for Mr. Stern, the Compensation Committee and Mr. Jacobs considered several factors, including his performance as Chief Operating Officer of the Company and CEO of the Company's Financial Advisory business, which achieved a record level of operating revenue in 2016, notwithstanding the volatile market environment. The Compensation Committee and Mr. Jacobs further considered Mr. Stern's overall contribution to the financial strength of the Company. Mr. Stern maintains a balance between his leadership and operating responsibilities within the firm, while continuing to cultivate important client relationships. The Compensation Committee and Mr. Jacobs focused specifically on Mr. Stern's primary role in the successful perpetuation of the Company's cost-saving initiatives, which have continued to enable the Company to achieve its financial goals. The Compensation Committee and Mr. Jacobs also considered Mr. Stern's effective management of related issues and processes. The Compensation Committee and Mr. Jacobs further considered Mr. Stern's effective oversight, in his capacity as CEO of the Company's Financial Advisory business, of managing directors and senior professionals overseeing various business sectors on a global basis, as well as Mr. Stern's key investments in the business during 2016 and his involvement in the continuing use and improvement of the Company's firm-wide performance assessment systems. The Compensation Committee approved the following incentive compensation for Mr. Stern for his performance in 2016: Mr. Stern received a cash bonus of \$2.050 million and a PRSU award valued at \$4.2 million (based on the achievement of performance goals at the target level). The PRSUs awarded to Mr. Stern constituted approximately 60% of Mr. Stern's total compensation for 2016. The total performance-based compensation awarded to Mr. Stern constituted approximately 89% of his total compensation for 2016.

The following table shows the base salary and incentive compensation awarded to our NEOs for their performance in 2016 in the manner it was considered by the Compensation Committee. This presentation differs from that contained in the Summary Compensation Table for 2016 in the following respects:

by showing the notional value of the PRSUs (assuming payout at the target level) granted in February 2017, which related to 2016 performance but are not reflected in the Summary Compensation Table for 2016 because they were granted after the end of our 2016 fiscal year;

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by excluding the grant date fair value, as determined for accounting purposes, of the PRSUs (assuming payout at the target level) granted in February 2016, which related to 2015 performance and are included in the Summary Compensation Table for 2016;

by excluding the values reported in the Change in Pension Value and All Other Compensation columns, because they are not tied to the NEO's performance for the applicable year; and

by distinguishing deferred cash awards paid to Mr. Bhutani from annual bonus amounts, as these awards were not paid at the same time as our regular bonuses but rather were deferred until June of the year of grant, subject to Mr. Bhutani's continued employment through the payment date.

A similar methodology has been applied to reflect 2015 and 2014 compensation, which is included for each NEO in order to provide a basis for comparison. For these prior years, the value of PRSUs and LFI's is also reflected based on the fiscal year to which they relate, rather than the fiscal year in which they were granted, and based on notional value rather than on the grant date fair value as determined for accounting purposes.

	Year	Salary	Annual Cash Bonus	Deferred Cash Awards	RSU Awards	Target PRSU Awards	Lazard Fund Interest Awards	Total Compensation
<b>Kenneth M. Jacobs</b>								
	2016	\$ 900,000	\$ 3,500,000			\$ 6,600,000		\$ 11,000,000
	2015	\$ 900,000	\$ 3,900,000			\$ 7,200,000		\$ 12,000,000
	2014	\$ 900,000	\$ 3,500,000			\$ 6,600,000		\$ 11,000,000
<b>Matthieu Bucaille</b>								
	2016	\$ 750,000	\$ 852,500			\$ 2,197,500		\$ 3,800,000
	2015	\$ 750,000	\$ 852,500			\$ 2,197,500		\$ 3,800,000
	2014	\$ 750,000	\$ 852,500			\$ 2,197,500		\$ 3,800,000
<b>Ashish Bhutani</b>								
	2016	\$ 750,000	\$ 2,950,000	\$ 925,000		\$ 4,625,000		\$ 9,250,000
	2015	\$ 750,000	\$ 3,170,000	\$ 980,000		\$ 4,900,000		\$ 9,800,000
	2014	\$ 750,000	\$ 4,650,000			\$ 3,600,000	\$ 1,800,000	\$ 10,800,000
<b>Scott D. Hoffman</b>								
	2016	\$ 750,000	\$ 912,500			\$ 2,337,500		\$ 4,000,000
	2015	\$ 750,000	\$ 897,500			\$ 2,302,500		\$ 3,950,000
	2014	\$ 750,000	\$ 897,500			\$ 2,302,500		\$ 3,950,000
<b>Alexander F. Stern</b>								
	2016	\$ 750,000	\$ 2,050,000			\$ 4,200,000		\$ 7,000,000
	2015	\$ 750,000	\$ 1,990,000			\$ 4,110,000		\$ 6,850,000
	2014	\$ 750,000	\$ 1,850,000			\$ 3,900,000		\$ 6,500,000

Perquisites. In 2016, each of our NEOs, other than Mr. Bucaille, received less than \$52,000 in perquisite compensation. Our NEOs 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, (ii) the payment by the Company of certain matching contributions on their personal contributions to the Company's 401(k) plan, and (iii) being the named beneficiaries of a Company-provided life insurance and long-term disability insurance policy. In addition, Messrs. Jacobs, Bucaille, Hoffman and Stern each have access to an executive dining room that is available to certain of our managing



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directors in the New York City area. Each of our U.S. managing directors is entitled to have his or her year-end personal tax returns prepared by our tax department. Messrs. Jacobs, Bucaille, 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 as in effect through March 8, 2016, Mr. Bucaille was 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. Pursuant to the amended retention agreement that the Company entered into with Mr. Bucaille on March 9, 2016, for the remainder of 2016 Mr. Bucaille was entitled to reimbursement for housing and tuition costs at a rate of 50% of the rate that applied pursuant to his prior retention agreement. These additional benefits were originally 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 previously 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 was also entitled to a tax gross-up for such reimbursements. The aggregate value of these benefits in 2016 was \$233,826. Mr. Bucaille is not entitled to these benefits in respect of 2017 or any subsequent year.

Pension 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 NEO becoming a managing director of the Company. Benefit accruals under both of these plans were frozen for all participants effective January 31, 2005, and our NEOs will not accrue any additional benefits. For additional information regarding benefits accrued by or payable to Messrs. Jacobs, Hoffman and Stern under these plans as of December 31, 2016, see Compensation of Executive Officers Pension Benefits below.

Amended NEO Retention Agreements. In anticipation of the expiration of the prior retention agreements with our NEOs, which was scheduled to occur on March 31, 2016, on March 9, 2016, we entered into amended retention agreements with each of our NEOs. The terms of the amended retention agreements are generally consistent with the terms of their prior retention agreements, with the following exceptions:

The term of each retention agreement was extended to March 31, 2019. Consistent with the prior retention agreements, if there is a change in control of the Company prior to the expiration of the retention agreements, the term will automatically extend for at least two years from the date of such change in control.

Mr. Jacobs' retention agreement no longer provides that at least \$2.1 million of his annual bonus will be paid in cash and, instead, consistent with the other NEOs, Mr. Jacobs' amended retention agreement provides that his annual bonus will be paid in the same ratio of cash to equity and deferred awards as other executives receiving comparable bonuses.

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The duration of the covenants prohibiting the NEOs from competing with the Company and soliciting our clients was extended to six months (three months, in the event of termination by us without cause or by the NEO for good reason ) following termination of the NEO's services, from three months (one month, in the event of termination by us without cause or by the NEO for good reason ).

The duration of the covenant prohibiting the NEOs from hiring our employees was extended to nine months following termination of employment, from six months.

As noted above under Perquisites , Mr. Bucaille's entitlement to reimbursement for housing and tuition costs was modified to provide for reimbursement of housing and tuition costs for the remainder of 2016 at a rate of 50% of the rate that applied pursuant to his prior retention agreement. Such reimbursements were discontinued in respect of 2017 and subsequent years.

In order to be consistent with the retention agreements with the other NEOs, pursuant to Mr. Bhutani's retention agreement, his severance payable in the event of any qualifying termination was increased to two times the sum of base salary and average annual bonus. His prior retention agreement provided that such multiple would be one times, unless his qualifying termination occurred on or following a change in control pursuant to which the Company was acquired by an entity that had an asset management business, in which case, it would be two times.

Mr. Jacobs' amended retention agreement includes a new provision that permits him, in the event that his employment is terminated by us without cause or by Mr. Jacobs for good reason prior to March 31, 2019, to sell his restricted shares of our Class A common stock that are subject to ongoing vesting requirements, provided that the proceeds of the sale must be deposited in escrow and will remain subject to forfeiture until the restricted shares otherwise would have vested.

For a further description of the terms of the NEOs' amended retention agreements, see Compensation of Executive Officers Retention Agreements with Our NEOs and Compensation of Executive Officers Potential Payments upon Termination or Change in Control below.

**Vesting of PRSUs and RSUs.** In general, unvested PRSUs, RSUs and similar awards are forfeited by our NEOs upon termination of employment, except in cases such as death, disability, a termination by the Company other than for cause (which, for purposes of these awards, includes a resignation for good reason ) or a qualifying retirement pursuant to our RSU Retirement Policy. See Compensation of Our Executive Officers RSU Retirement Policy below. As described under Compensation Discussion and Analysis Design of Our Compensation Programs Other Features above, the Company has adopted double-trigger vesting for incentive awards granted to our NEOs, including PRSUs.

**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 talented individuals and that compensation

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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 voluntary employee attrition. Further, long-term incentive compensation (including PRSUs and RSUs) awarded to our NEOs, managing directors and other senior professionals are generally subject to long-term vesting periods. We believe both the levels of compensation and the structure of the PRSUs, RSUs and similar awards have had the effect of aiding our retention of our NEOs and other key employees.

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 business 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 PRSUs and RSUs) with long-term vesting periods makes or should make each of our NEOs, managing directors and other senior professionals sensitive to long-term risk outcomes, as the value of their awards increases or decreases with the performance of the Company, in the case of PRSUs, and the price of our Class A common stock, in the case of PRSUs and RSUs. In addition, PRSU performance criteria 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.

## **COMPENSATION COMMITTEE REPORT**

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

### **Compensation Committee**

Andrew M. Alper (Chair), Steven J. Heyer, Michelle Jarrard, Sylvia Jay, Philip A. Laskawy and Michael J. Turner

## **Compensation Discussion and Analysis Endnotes**

- (1) Operating revenue, awarded compensation expense, awarded compensation ratio, adjusted non-compensation expense, adjusted non-compensation ratio and earnings from operations are non-GAAP measures. For a description of how to calculate each of

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them and a reconciliation between each of them and the respective comparable GAAP financial measure, see Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations Consolidated Results of Operations in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

- (2) Operating income based on awarded compensation expense, or our awarded operating income, is a non-GAAP measure and is defined as operating revenue (\$2,344 million in 2016), minus awarded compensation expense (\$1,309 million in 2016), minus adjusted non-compensation expense (\$434 million in 2016).
- (3) Operating margin based on awarded compensation expense, or our awarded operating margin, is a non-GAAP measure and is defined as operating income based on awarded compensation expense divided by operating revenue.
- (4) Operating margin based on earnings from operations is a non-GAAP measure and is defined as earnings from operations divided by operating revenue.
- (5) We calculate our return of capital during 2016 by reference to the following: (i) we paid \$336 million to our shareholders in dividends; (ii) we repurchased \$300 million of our Class A common stock; and (iii) we satisfied employee tax obligations of \$56 million in cash in lieu of share issuance upon vesting of equity grants. We use the same methodology to calculate our return of capital during applicable prior years.
- (6) We calculate TSR by measuring the closing price of our Class A common stock as of December 31 of the final year of the measurement period against the closing price of our Class A common stock as of December 31 of the year preceding the measurement period, plus the amount of dividends paid on our Class A common stock during the measurement period (assuming the reinvestment of such dividends when they are paid).

**COMPENSATION OF EXECUTIVE OFFICERS**

The following table contains information with respect to our NEOs in the manner required by SEC rules. We believe that the better way to view this information is as set forth in the table under Compensation Discussion and Analysis 2016 Compensation for Each of Our NEOs Compensation Decisions above, as the information set forth below:

includes in 2016 compensation the grant date fair value of PRSUs (which, as of the grant date, were deemed probable of vesting in accordance with applicable accounting rules) that relate to 2015 performance and were awarded in February 2016; and

does not include in 2016 compensation the grant date fair value of PRSUs that relate to 2016 performance, which were awarded in February 2017.

Similarly, the information with respect to 2015 and 2014 compensation includes PRSUs, RSUs and LFIs, as applicable, granted in the relevant calendar year, which related to the previous year's performance, and does not include PRSUs and LFIs, as applicable, granted with respect to the relevant calendar year's performance.



Table of Contents**Summary Compensation Table**

Name and Principal Position	Year	Salary	Bonus	Stock Awards (1)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (2)	All Other Compensation (3)	Total
Kenneth M. Jacobs <i>Chairman and Chief Executive Officer</i>	2016	\$ 900,000	\$ 3,500,000	\$ 7,184,714	\$ 4,699	\$ 51,657	\$ 11,641,069
	2015	\$ 900,000	\$ 3,900,000	\$ 6,835,297	\$	\$ 44,241	\$ 11,679,538
	2014	\$ 900,000	\$ 3,500,000	\$ 5,538,249	\$ 14,434	\$ 39,844	\$ 9,992,527
Matthieu Bucaille <i>Chief Financial Officer</i>	2016	\$ 750,000	\$ 852,500	\$ 2,192,826	\$	\$ 296,207	\$ 4,091,534
	2015	\$ 750,000	\$ 852,500	\$ 2,275,818	\$	\$ 491,512	\$ 4,369,830
	2014	\$ 750,000	\$ 852,500	\$ 1,894,796	\$	\$ 450,116	\$ 3,947,412
Ashish Bhutani <i>Chief Executive Officer of Lazard Asset Management</i>	2016	\$ 750,000	\$ 3,875,000(4)	\$ 4,889,603	\$	\$ 28,912	\$ 9,543,515
	2015	\$ 750,000	\$ 4,150,000(4)	\$ 5,528,329	\$	\$ 14,754	\$ 10,443,083
	2014	\$ 750,000	\$ 4,650,000	\$ 5,072,626	\$	\$ 13,432	\$ 10,486,058
Scott D. Hoffman <i>General Counsel</i>	2016	\$ 750,000	\$ 912,500	\$ 2,297,612	\$ 14,275	\$ 43,240	\$ 4,017,627
	2015	\$ 750,000	\$ 897,500	\$ 2,384,581	\$	\$ 32,854	\$ 4,064,935
	2014	\$ 750,000	\$ 897,500	\$ 1,966,599	\$ 36,759	\$ 31,441	\$ 3,682,299
Alexander F. Stern <i>Chief Operating Officer and Chief Executive Officer, Financial Advisory</i>	2016	\$ 750,000	\$ 2,050,000	\$ 4,101,277	\$ 8,346	\$ 35,809	\$ 6,945,433
	2015	\$ 750,000	\$ 1,990,000	\$ 4,039,036	\$	\$ 27,163	\$ 6,806,199
	2014	\$ 750,000	\$ 1,850,000	\$ 3,230,641	\$ 24,324	\$ 24,016	\$ 5,878,981

- (1) For 2016, represents PRSU awards granted to each of our NEOs during fiscal year 2016 that relate to 2015 performance. For 2015 and 2014, represents PRSUs granted to each of our NEOs and LFIs granted to Mr. Bhutani, in each case, during the applicable year that relate to the prior year's performance. As required by Item 402(c)(2) of Regulation S-K, the value of the PRSUs and LFIs reported in the Summary Compensation Table is (i) based on the grant date fair value of awards in the fiscal year actually granted (rather than in the year to which the executive's performance relates) and (ii) (A) in the case of PRSUs, is computed in accordance with FASB ASC Topic 718 based on the performance conditions applicable to such PRSUs being achieved at the target (i.e., one times) payout level, which was determined to be the probable outcome as of the grant date, without regard to estimated forfeitures, and (B) in the case of LFIs, is computed based on the fair market value of the interests in the Lazard managed funds as of the date that the applicable LFIs were awarded. See Note 14 of Notes to the Consolidated Financial Statements contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 for a discussion of the assumptions used in the valuation of the PRSUs. As required by Item 402(c)(2) of Regulation S-K, the value of the PRSUs awarded to our NEOs during fiscal year 2016 assuming a maximum payout level would have been as follows: for Mr. Jacobs, \$13,201,448; for Mr. Bucaille,

\$4,029,177; for Mr. Bhutani, \$8,984,330; for Mr. Hoffman, \$4,221,713; and for Mr. Stern, \$7,535,832 (in each case, only taking into account the potential value of dividends that may be payable in respect of the target payout level). The value of the PRSUs awarded to our NEOs during fiscal year 2016 assuming a minimum payout level would have been \$0 for each NEO.

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- (2) Represents the aggregate change in actuarial present value of the accumulated benefits of Messrs. Jacobs, Hoffman and Stern under the Lazard Frères & Co. LLC Employees Pension Plan and, in the case of Messrs. Hoffman and Stern, a related supplemental defined-benefit pension plan.
- (3) For 2016, represents: (i) payment of health insurance premiums and other health-related benefits in the amount of \$18,836 for Mr. Jacobs (which amount included a \$2,000 contribution to Mr. Jacobs health savings account), \$17,318 for Mr. Bucaille, \$15,563 for Mr. Bhutani, \$15,504 for Mr. Hoffman, and \$6,661 for Mr. Stern; (ii) life and long-term disability insurance premiums in the amount of \$2,749 for each of Messrs. Jacobs, Bhutani, Hoffman and Stern, and \$11,602 for Mr. Bucaille; (iii) for Messrs. Jacobs, Bucaille, Hoffman and Stern, the annual estimated cost of access to an executive dining room, which is a benefit historically provided to certain of the Company's U.S. managing directors in the New York City area, in the amount of \$7,000 for each NEO (which amount is also included in the All Other Compensation column for each of these NEOs for 2015 and 2014); (iv) for each NEO, the payment by the Company of a \$10,600 matching contribution in 2016 on his personal contributions to the Company's 401(k) plan, which, beginning in 2016, is a benefit provided to all of the Company's U.S. managing directors; (v) tax preparation services in the amount of \$12,472 for Mr. Jacobs, \$15,862 for Mr. Bucaille, \$7,387 for Mr. Hoffman and \$8,799 for Mr. Stern; and (vi) for Mr. Bucaille, a housing reimbursement of \$105,000 (plus a related tax gross-up of \$109,105) and tuition reimbursement of \$17,695 (plus a related tax gross-up of \$2,026).
- (4) For 2016 and 2015, includes an award of \$925,000 and \$980,000, respectively, that was considered a deferred cash award, was payable or paid in the respective year of grant, and was contingent upon Mr. Bhutani's continued employment until the payment date.

**GRANTS OF PLAN-BASED AWARDS**

The following table provides information about PRSUs granted to each of our NEOs during fiscal year 2016 in respect of 2015 performance.

Named Executive Officer	Grant Date	Potential Future Payout Under PRSUs			Grant Date Fair Value of PRSUs (1)
		Minimum Number	Target Number	Maximum Number	
Kenneth M. Jacobs	February 5, 2016	0	218,314	436,628	\$ 7,184,714
Matthieu Bucaille	February 5, 2016	0	66,631	133,262	\$ 2,192,826
Ashish Bhutani	February 5, 2016	0	148,575	297,150	\$ 4,889,603
Scott D. Hoffman	February 5, 2016	0	69,815	139,630	\$ 2,297,612
Alexander F. Stern	February 5, 2016	0	124,621	249,242	\$ 4,101,277

- (1) Amounts represent the grant date fair value of awards made in 2016, as computed in accordance with FASB ASC Topic 718, as set forth in footnote (1) to the Summary Compensation Table above.





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The PRSUs included in the table above are subject to performance-based and service-based vesting criteria and represent a contingent right to receive a number of shares of our Class A common stock that will range from zero to two times the target number (i.e., one times). Assuming satisfaction of the applicable vesting criteria, the PRSUs granted on February 5, 2016 to each of our NEOs will vest on or around March 1, 2019. The payout level at which the PRSUs will vest is determined based on the score over a performance period beginning January 1, 2016 and ending on December 31, 2018 with respect to VARGR, CRR and OLR financial metrics and our performance relative to the performance of our peers; provided, however, that each of the three performance metrics also are evaluated on an annual basis at the end of each fiscal year during the performance period and may result in 25% of the total target number of shares of our Class A common stock subject to the PRSUs no longer being at risk based on the achievement of the performance criteria. See Design of Our Compensation Programs Performance-Based Compensation above and Compensation Discussion and Analysis PRSU Financial Metrics in our annual proxy statement filed with the SEC on March 10, 2016.

After the end of 2016, the Compensation Committee evaluated our performance for 2016 with respect to each of the three generally applicable performance metrics and determined that such performance exceeded an aggregate score of 1.0 for 2016. Accordingly, 25% of the total target number of shares of our Class A common stock subject to the PRSUs included in the table above are not subject to further achievement of performance goals due to our performance in 2016 (but remain subject to the service-based vesting criteria described above).

Each of our NEOs signed a PRSU award agreement in connection with his award. In general, these agreements provide that unvested PRSUs are forfeited on termination of employment, except in cases such as death, disability, a termination by the Company other than for cause (which includes for these purposes a resignation for good reason) or a qualifying retirement pursuant to our RSU Retirement Policy. See RSU Retirement Policy and Potential Payments Upon Termination or Change in Control below. During the performance period, the target number of PRSUs (and, after the performance period, the actual number of shares of Class A common stock subject to the PRSUs that are earned based on achievement of performance conditions) receive dividend equivalents at the same rate that dividends are paid on shares of our Class A common stock. These dividend equivalents are credited as RSUs that are not subject to the performance-based vesting criteria but are otherwise subject to the same restrictions as the underlying PRSUs to which they relate. In addition, the PRSU agreements contain standard covenants including, among others, noncompetition and nonsolicitation of our clients and employees.

### **RSU RETIREMENT POLICY**

Pursuant to the 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, RSUs and certain PRSUs will be settled in restricted stock) as long as (i) the holder is at least 56 years old, (ii) the holder has completed at least five years of service with the Company, (iii) the sum of the holder's actual age and years of service is at least 70, and (iv) commencing with the RSUs and PRSUs

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granted in 2017, the holder has completed a service period of approximately three months following the date of grant. Similarly, following the retirement eligibility date, the service-based vesting criteria of the PRSUs will no longer apply, but the performance-based vesting criteria will continue to apply through the end of the applicable performance period, including following the executive's retirement during the performance period. Following retirement, the RSUs, PRSUs and restricted stock granted to the former RSU and PRSU holders, as applicable, remains subject to all restrictive covenants, including continued compliance with non-compete, non-solicit and other provisions contained in the original award agreement through the original vesting date of the RSUs or PRSUs, as applicable, 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 a portion of the restricted stock granted to him or her to pay such taxes. Pursuant to the LFI award agreements, the RSU Retirement Policy also applies to LFIs.

Although Mr. Jacobs satisfied the age and service criteria pursuant to the RSU Retirement Policy in September 2014, due to his previous waiver of retirement eligibility, he became retirement eligible on March 31, 2016, which is the date that his prior retention agreement was scheduled to expire. Mr. Bucaille became retirement eligible on February 6, 2016, which was the date that he satisfied the age and service criteria pursuant to the RSU Retirement Policy. However, the special award of 71,085 RSUs granted to Mr. Bucaille in March 2011 (as well as accrued dividend equivalent payments) is not subject to the RSU Retirement Policy. Instead, these RSUs were converted into shares of restricted stock that will be forfeited unless Mr. Bucaille remains employed through the original vesting date, which is March 1, 2019 (unless his employment is terminated prior to that date as a result of death, disability, a termination by us without cause or a termination by Mr. Bucaille for good reason). The retirement eligibility dates for Messrs. Bhutani, Hoffman and Stern are May 8, 2017, December 24, 2018 and November 4, 2022, respectively.

### **RETENTION AGREEMENTS WITH OUR NEOS**

In anticipation of the expiration of the prior retention agreements with our NEOs, which was scheduled to occur on March 31, 2016, on March 9, 2016, we entered into amended retention agreements with each of our NEOs. Generally, the provision of services under the retention agreements is terminable by either party upon three months' notice, and the agreements also contain the terms and conditions set forth below.

**Compensation and Employee Benefits.** The term of the amended retention agreements for our NEOs expires on March 31, 2019 or, if later, the second anniversary of a change in control of the Company. The retention agreements with our NEOs provide for a minimum annual base salary of \$900,000 for Mr. Jacobs and \$750,000 for each of Messrs. Bucaille, Bhutani, Hoffman and Stern. In addition, each of our NEOs is entitled to an annual bonus to be determined under the Company's applicable annual bonus plan on the same basis as annual bonuses are determined for other executive officers of the Company; provided that, in each case, the NEO is employed by the Company at the end of the applicable fiscal year.

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Such bonus will be paid in the same ratio of cash to equity and deferred awards as is generally applicable to other executives receiving comparable bonuses. The retention agreements with our NEOs also provide that each is entitled to participate in employee retirement and welfare benefit plans and programs of the type made available to our most senior executives.

In addition, Mr. Jacobs is entitled, subject to his continued employment with the Company, to the fringe benefits and perquisites to which he was entitled as of March 9, 2016. The retention agreement with Mr. Bucaille also provides that he is entitled to certain housing and tuition reimbursements (and related tax gross-ups) through December 31, 2016. Such reimbursements were discontinued in respect of 2017 and subsequent years.

**Payments and Benefits Upon Certain Terminations of Service.** The amended retention agreements with our NEOs also provide for certain severance benefits in the event of a termination by us other than for cause or by the NEO for good reason (which we refer to below as a qualifying termination) prior to the expiration of the retention agreement. See Potential Payments Upon Termination or Change in Control below for further details.

**OUTSTANDING EQUITY AWARDS AT 2016 FISCAL YEAR END**

The following table provides information about the number and value of RSUs, PRSUs and shares of restricted stock that were actually held (or, pursuant to the rules and guidance of the SEC, were for purposes of the table deemed held) by our NEOs as of December 31, 2016. The market value of the RSUs, PRSUs and restricted stock was calculated based on the NYSE closing price of our Class A common stock on December 30, 2016 (\$41.09). The table does not include PRSU awards that relate to 2016 performance, which were granted in February 2017. Our NEOs were not granted any RSUs that relate to 2016 performance.

Named Executive Officer	Number of RSUs and Shares of Restricted Stock That Have Not Vested (1)(2)(3)	Market Value of RSUs and Shares of Restricted Stock That Have Not Vested	Number of PRSUs That Have Not Vested (4)	Market or Payout Value of PRSUs That Have Not Vested (3)
Kenneth M. Jacobs	342,046	\$ 14,054,670	578,127	\$ 23,755,238
Matthieu Bucaille	197,285	\$ 8,106,441	181,888	\$ 7,473,778
Ashish Bhutani (5)	258,467	\$ 10,620,409	366,957	\$ 15,078,263
Scott D. Hoffman (5)	146,672	\$ 6,026,752	190,580	\$ 7,830,932
Alexander F. Stern	245,666	\$ 10,094,416	333,950	\$ 13,722,006

- (1) This column reflects additional RSUs received by the NEOs as dividend equivalents accrued in respect of the total target number of shares of our Class A common stock subject to outstanding PRSUs, which are not at risk based on the achievement of performance criteria and are subject to the same vesting schedule as the underlying PRSUs to which they relate. In the case of Messrs. Jacobs and Bucaille, (i) such RSUs have been converted to shares of restricted stock, as discussed in footnote (3) below, and (ii) this column excludes shares of restricted stock that were available to pay the related taxes, as further discussed under Stock Vested below.

- (2) With respect to PRSU awards granted in February 2014 in respect of 2013 compensation, in early 2017, the Compensation Committee determined by formula that Lazard had achieved an aggregate score of 2.0 with respect to the three-year

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performance period from January 1, 2014 to December 31, 2016. Such PRSUs vested on March 1, 2017. Accordingly, this column includes the product of (i) 2.0 and (ii) the total original target number of shares of our Class A common stock subject to these PRSUs (excluding, in the case of Messrs. Jacobs and Bucaille, shares of restricted stock that were available to pay related taxes, as further discussed under *Stock Vested* below). The total number of RSUs and shares of restricted stock included in this column for each NEO that relate to such PRSU awards (excluding, in the case of Messrs. Jacobs and Bucaille, shares of restricted stock that were available to pay related taxes, as further discussed under *Stock Vested* below) is as follows: 223,584 for Mr. Jacobs, 76,624 for Mr. Bucaille, 164,842 for Mr. Bhutani, 95,065 for Mr. Hoffman and 156,166 for Mr. Stern. All such amounts are deemed RSUs (or, in the case of Messrs. Jacobs and Bucaille, shares of restricted stock, as further discussed in footnote (3) below), that have not vested for purposes of this table.

In addition, with respect to (i) PRSU awards granted in February 2015 (in respect of 2014 compensation), in early 2016, the Compensation Committee determined that Lazard had achieved an aggregate score of at least 1.0 with respect to the 2015 fiscal year, and (ii) PRSU awards granted in February 2015 and February 2016 (in respect of 2014 and 2015 compensation, respectively), in early 2017, the Compensation Committee determined that Lazard had achieved an aggregate score of at least 1.0 with respect to the 2016 fiscal year. As discussed above under *Compensation Discussion & Analysis PRSU Financial Metrics PRSU Scoring*, if the Compensation Committee determines after the end of a fiscal year that the Company has achieved an aggregate score of at least 1.0 with respect to such fiscal year, then 25% of the total target number of shares of Class A common stock subject to the relevant PRSUs will no longer be at risk based on achievement of the performance criteria. Accordingly, this column includes 50% and 25% of the total target number of shares of our Class A common stock subject to the PRSU awards granted in February 2015 and February 2016, respectively (excluding, in the case of Messrs. Jacobs and Bucaille, shares of restricted stock that were available to pay related taxes, as further discussed under *Stock Vested* below), which, in each case, are no longer at risk based on achievement of the performance criteria and are scheduled to vest subject to service criteria on or around March 1, 2018 and March 1, 2019, respectively. The total number of RSUs and shares of restricted stock included in this column for each NEO that relate to PRSU awards granted in February 2015 and February 2016 (excluding, in the case of Messrs. Jacobs and Bucaille, shares of restricted stock that were available to pay related taxes, as further discussed under *Stock Vested* below) is as follows: for Mr. Jacobs, 55,789 and 62,673 in respect of PRSUs granted in 2015 and 2016, respectively; for Mr. Bucaille, 18,586 and 19,127 in respect of PRSUs granted in 2015 and 2016, respectively; for Mr. Bhutani, 44,842 and 48,783 in respect of PRSUs granted in 2015 and 2016, respectively; for Mr. Hoffman, 28,683 and 22,924 in respect of PRSUs granted in 2015 and 2016, respectively; and for Mr. Stern, 48,581 and 40,919 in respect of PRSUs granted in 2015 and 2016, respectively. All such amounts are deemed RSUs (or, in the case of Messrs. Jacobs and Bucaille, shares of restricted stock, as further discussed in footnote (3) below), that have not vested for purposes of this table. This column also includes 82,948 shares of restricted stock held by Mr. Bucaille that relate to a special retention award granted to him in 2011 that are scheduled to vest on or around March 1, 2019.

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- (3) For Messrs. Jacobs and Bucaille, the amounts in this column include shares of restricted stock that were issued in settlement of certain outstanding equity awards, in each case as a result of the applicable NEO's retirement eligibility and the tax treatment of his awards as a result thereof. Messrs. Jacobs and Bucaille became eligible for retirement under the RSU Retirement Policy on March 31, 2016 and February 6, 2016, respectively. All such shares, other than those in respect of the special retention award granted to Mr. Bucaille in 2011, are eligible for the RSU Retirement Policy and are no longer subject to a service-based vesting condition but remain subject to compliance with restrictive covenants until the original vesting dates.
- (4) The PRSU awards granted to our NEOs in 2015 and 2016 with respect to 2014 and 2015 compensation, respectively, are scheduled to vest on or around March 1, 2018 and March 1, 2019, respectively, subject in each case to achievement of performance-based vesting criteria. Because our performance in the 2016 fiscal year exceeded the target (one times) level, and based on guidance regarding the rules of the SEC, we have included the PRSU awards in the table above based on the next highest payout level expressed as an integer (in this case, two times); however, since 50% and 25% of the total target number of shares of Class A common stock subject to the PRSUs granted in 2015 and 2016, respectively, are no longer subject to achievement of performance criteria and, accordingly, are reflected in the RSU and restricted stock column of the table above (as discussed in footnote (2) above), the amount set forth in the PRSU column reflects 1.50 times and 1.75 times the total target number of shares subject to the PRSUs granted in 2015 and 2016, respectively. The number of PRSUs set forth in this column are as follows: for Mr. Jacobs, 196,078 and 382,049 in respect of PRSUs granted in 2015 and 2016, respectively; for Mr. Bucaille, 65,284 and 116,604 in respect of PRSUs granted in 2015 and 2016, respectively; for Mr. Bhutani, 106,951 and 260,006 in respect of PRSUs granted in 2015 and 2016, respectively; for Mr. Hoffman, 68,404 and 122,176 in respect of PRSUs granted in 2015 and 2016, respectively; and for Mr. Stern, 115,864 and 218,086 in respect of PRSUs granted in 2015 and 2016, respectively. The amounts reflected above are not necessarily indicative of future payouts for the awards, which are not now known but will ultimately be determined based on our actual performance through the entire performance period (and which may be lower than the two times payout level).
- (5) Mr. Bhutani will become retirement eligible on May 8, 2017, and Mr. Hoffman will become retirement eligible on December 24, 2018. Upon reaching retirement eligibility, any RSUs, PRSUs and LFIs that the relevant NEO holds will become eligible for the RSU Retirement Policy.

**Table of Contents****STOCK VESTED**

The following table sets forth certain information concerning PRSUs and RSUs held by our NEOs that vested in 2016.

Named Executive Officer	Number of Shares That Vested or Were Acquired on Vesting	Value Realized on Vesting (1)	Number of Shares	
			That Were Available to Fund Tax Obligation (2)	Value Realizable to Fund Tax Obligation (3)
Kenneth M. Jacobs	102,953	\$ 3,621,887	53,487	\$ 1,835,210
Matthieu Bucaille	66,884	\$ 2,274,680	24,372	\$ 802,238
Ashish Bhutani	139,356	\$ 4,902,544		
Scott D. Hoffman	72,424	\$ 2,547,876		
Alexander F. Stern	102,677	\$ 3,612,177		

- (1) The value realized on vesting was calculated based on the NYSE closing price of our Class A common stock on the trading day immediately preceding the vesting date.
- (2) Because Messrs. Jacobs and Bucaille have become eligible for retirement under the RSU Retirement Policy, certain PRSUs or RSUs granted to them were subject to taxation in 2016 and were settled in the form of restricted shares of our Class A common stock. Pursuant to the award agreements governing these PRSUs and RSUs, Messrs. Jacobs and Bucaille were permitted to sell a portion of such shares to pay the related taxes (the Tax Obligation Portion ), but neither Mr. Jacobs nor Mr. Bucaille sought to sell any portion of the Tax Obligation Portion. The shares of restricted stock issued to Messrs. Jacobs and Bucaille are no longer subject to service requirements due to their retirement eligibility but remain subject to other restrictions. See Compensation of Our Executive Officers RSU Retirement Policy above.
- (3) The value realizable to fund the tax obligation reflects the NYSE closing price of our Class A common stock on the trading day immediately preceding the date that certain PRSUs or RSUs granted to Messrs. Jacobs and Bucaille were converted to restricted shares of our Class A common stock in connection with their retirement eligibility and became available for sale (as discussed in footnote (2) above).

**PENSION BENEFITS**

**U.S. Defined Benefit Pension Plans.** The following table provides information with respect to the Lazard Frères & Co. LLC Employees Pension Plan, a qualified defined-benefit pension plan, and a related supplemental defined-benefit pension plan. Each of Messrs. Jacobs, Hoffman and Stern has an accrued benefit under the Lazard Frères & Co. LLC Employees Pension Plan, and Messrs. Hoffman and Stern have accrued additional benefits under the related supplemental defined-benefit pension plan. The annual benefit under the Lazard Frères & Co. LLC Employees Pension Plan, 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 only payable in a single lump-sum payment. These benefits accrued in each case prior to the date the applicable NEO became a managing director of the Company. Benefit accruals under both of these plans were frozen for all participants effective January 31, 2005. For a discussion of the valuation methodology and material assumptions applied in quantifying the present value of the current accrued benefit, see Note 15 of Notes to the



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Consolidated Financial Statements contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016. Messrs. Bucaille and Bhutani do not participate in any of these plans.

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<b>Named Executive Officer</b>	<b>Plan Name</b>	<b>Number of Years of Credited Service (1)</b>	<b>Present Value of Accumulated Benefit (\$) (2)</b>	<b>Payments During Last Fiscal Year (\$)</b>
Kenneth M. Jacobs	Lazard Frères & Co. LLC Employees Pension Plan	3	\$ 64,616	\$ 0
Scott D. Hoffman	Lazard Frères & Co. LLC Employees Pension Plan	5	\$ 92,449	\$ 0
	Supplemental Defined- Benefit Pension Plan	5	\$ 67,458	\$ 0
Alexander F. Stern	Lazard Frères & Co. LLC Employees Pension Plan	6	\$ 84,913	\$ 0
	Supplemental Defined- Benefit Pension Plan	6	\$ 4,305	\$ 0

- (1) Mr. Jacobs has been employed by the Company for 29 years, Mr. Hoffman 23 years and Mr. Stern 22 years. Mr. Jacobs became a managing director of the Company in 1991, Mr. Hoffman in 1999 and Mr. Stern in 2002, at which point they ceased accruing benefits under these plans.
- (2) In calculating the present value of accumulated benefits outlined above, Messrs. Jacobs, Hoffman and Stern are assumed to live to age 65 and subsequently retire. They are also assumed to choose the single life annuity form of benefit under the Lazard Frères & Co. LLC Employees Pension Plan and the lump-sum form of benefit under the supplemental defined-benefit pension plan (for Messrs. Hoffman and Stern only). The interest rate and mortality rate used to determine the Employees Pension Plan present value is 4.18% for all years and the RP-2016 Mortality Table (with generational improvement using Scale MP-2016 with base year 2016) after retirement only. The present value calculations for the supplemental defined-benefit pension plan assume that the annuity benefit will be converted to a lump sum at age 65 using a 4.18% interest rate and the mortality outlined in IRS Notice 2008-85 applicable for lump-sum payments (projected to the year the participant attains age 65 using Scale AA). A 4.18% discount rate is used to determine the present value of this single payment at age 65 at December 31, 2016.

**POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL**

As described above, each of our NEOs has entered into a retention agreement with the Company, which provides for certain severance benefits in the event of a termination by us other than for cause or by the NEO for good reason (which we refer to below as a qualifying termination) prior to the expiration of the retention agreement.

Each of our NEOs has received RSUs and PRSUs pursuant to the 2008 Plan, and Mr. Bhutani has also received LFI's.

The following table shows the potential payments that would have been made by the Company to each of our NEOs assuming that such NEO's employment with the Company terminated, or a change in control occurred, on December 31, 2016 under the circumstances outlined in the table. For purposes of this table, the price of our Class A common stock is assumed to be \$41.09, which was the closing price on December 30, 2016, and the amounts set forth below reflect the terms of the retention agreements as in effect on December 31, 2016.



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Executive Officer	Prior to a Change in Control				On or After a Change in Control			
	Death or Disability	Involuntary Termination Without Cause	Resignation for Good Reason	Retirement	No Termination of Employment	Death or Disability	Involuntary Termination Without Cause or Resignation for Good Reason	Retirement
<b>Keith M. Jacobs</b>								
Termination Payment (1)		\$ 23,000,000	\$ 23,000,000				\$ 23,000,000	
Termination Payment (2) (3)	\$ 30,140,940	\$ 30,140,940	\$ 30,140,940	\$ 23,569,950		\$ 37,911,716	\$ 37,911,716	\$ 37,911,716
Termination Payment (4)	\$ 10,600,000	\$ 10,600,000	\$ 10,600,000			\$ 10,600,000	\$ 10,600,000	
Termination Payment (6)		\$ 225,000					\$ 225,000	
<b>Michael J. Bucaille</b>								
Termination Payment (1)		\$ 7,600,000	\$ 7,600,000				\$ 7,600,000	
Termination Payment (2) (3)	\$ 13,418,317	\$ 13,418,317	\$ 13,418,317	\$ 11,313,482	\$ 3,631,463	\$ 15,839,709	\$ 15,839,709	\$ 15,839,709
Termination Payment (4)	\$ 3,050,000	\$ 3,050,000	\$ 3,050,000			\$ 3,050,000	\$ 3,050,000	
Termination Payment (6)		\$ 187,500					\$ 187,500	
<b>Prakash S. Bhutani</b>								
Termination Payment (1)		\$ 20,600,000	\$ 20,600,000				\$ 20,600,000	
Termination Payment (2) (3) (5)	\$ 23,334,695	\$ 23,334,695	\$ 23,334,695			\$ 28,381,245	\$ 28,381,245	
Termination Payment (4)	\$ 9,550,000	\$ 9,550,000	\$ 9,550,000			\$ 9,550,000	\$ 9,550,000	
Termination Payment (6)		\$ 187,500					\$ 187,500	
<b>Robert D. Hoffman</b>								
Termination Payment (1)		\$ 7,900,000	\$ 7,900,000				\$ 7,900,000	
Termination Payment (2) (3)	\$ 11,320,624	\$ 11,320,624	\$ 11,320,624			\$ 13,857,685	\$ 13,857,685	
Termination Payment (4)	\$ 3,200,000	\$ 3,200,000	\$ 3,200,000			\$ 3,200,000	\$ 3,200,000	
Termination Payment (6)		\$ 187,500					\$ 187,500	
<b>Richard F. Stern</b>								
Termination Payment (1)		\$ 13,350,000	\$ 13,350,000				\$ 13,350,000	
Termination Payment (2) (3)	\$ 19,344,638	\$ 19,344,638	\$ 19,344,638			\$ 23,816,421	\$ 23,816,421	
Termination Payment (4)	\$ 5,925,000	\$ 5,925,000	\$ 5,925,000			\$ 5,925,000	\$ 5,925,000	
Termination Payment (6)		\$ 187,500					\$ 187,500	



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- (1) In addition to the severance payments listed, each of our NEOs would have been entitled to receive between one and two years of medical and dental coverage following termination. However, amounts relative to this benefit are immaterial and have not been included in the table.
- (2) Valuation of all RSU and PRSU awards is based upon the full value underlying our Class A common stock at the close of business on December 30, 2016, without taking into account any discount for the present value of such awards. Upon a change in control, (i) PRSU, RSU and restricted stock awards (other than the restricted shares that relate to the special RSU award that was granted to Mr. Bucaille in 2011) generally will not accelerate upon a change in control, but will instead require both a change in control and another customary event (such as a qualifying termination) in order to vest, and (ii) PRSU awards will no longer be subject to the performance conditions and the payout level will be determined by the Compensation Committee based on the greater of (A) the target level or (B) the Company's actual performance for the period beginning at the start of the performance period and ending on the date of the change in control, but the awards will remain subject to the service conditions, absent a qualifying termination, through the original vesting dates. The table above assumes, with respect to the PRSU awards for which the three-year performance period has not ended, that upon a change in control and another customary event (such as a qualifying termination), the performance conditions and the payout level would be equal to two times the target level. This assumption is not necessarily indicative of future payouts for the awards, which are not now known but will ultimately be based on our actual performance through the relevant period (which may be lower than two times the target level). For Messrs. Jacobs and Bucaille, amounts include the value of restricted stock that the NEO received in connection with his retirement eligibility. See "Outstanding Equity Awards at 2016 Fiscal Year End" above.
- (3) Upon death, (i) all RSU awards vest upon the earlier of 30 days or the scheduled vesting date, and (ii) all PRSU awards vest immediately (or, if the death occurs more than halfway through the fiscal quarter, as soon as practicable following the Compensation Committee's determination of the payout level), with the payout level based on (A) our actual performance during the portion of the performance period ending on the last day of the fiscal quarter preceding the date of death (or, if the death occurs more than halfway through the fiscal quarter, the last day of such fiscal quarter) and (B) the target level for the remainder of the performance period. Upon disability, a termination without cause or resignation for good reason, (i) the PRSU payout level will be determined in a manner consistent with clauses (A) and (B) of the immediately preceding sentence, and (ii) the NEOs may be immediately taxed on 100% of the shares underlying the RSUs and PRSUs. Accordingly, a percentage of the shares underlying the RSUs and PRSUs in the amount sufficient to cover payment of taxes will be delivered to the executive immediately upon termination, and the remaining percentage will be delivered on the original vesting dates, provided that the executive does not violate his restrictive covenants. Messrs. Jacobs and Bucaille became retirement eligible during 2016. If an NEO is retirement eligible, he may retire without forfeiting his PRSUs, but (other than following a change in control) such PRSUs remain subject to performance conditions for the full performance period. Following retirement (other than following a change in control), all PRSUs, RSUs and shares of

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restricted stock remain subject to compliance with restrictive covenants through their original vesting date, notwithstanding any shorter duration provided in award agreements. See Compensation of Our Executive Officers RSU Retirement Policy on page 73.

The table above assumes, with respect to the PRSU awards for which the three-year performance period has not ended (i.e., those granted in 2016 and 2015 in respect of compensation for 2015 and 2014, respectively), that (x) in the case of a termination without cause, upon death or disability or resignation for good reason (other than following a change in control), the performance conditions would be equal to approximately 1.3333 times and 1.6667 times the target level, respectively, and (y) in the case of retirement of Messrs. Jacobs and Bucaille (other than following a change in control), the performance conditions would be equal to 1.0 the target level, with the payout level determined accordingly in all cases. These assumptions are not necessarily indicative of future payouts for the awards, which are not now known but will ultimately be based on our actual performance through the relevant period (which may be higher or lower than the amount assumed for this calculation). For the PRSU awards granted in 2014, since the three-year performance period ended as of December 31, 2016, the performance conditions and the payout level are based on actual performance equal to 2.0 times the target level. The scheduled vesting dates for outstanding PRSU, RSU and restricted stock awards are set forth in footnotes (1) through (4) to the Outstanding Equity Awards at 2016 Fiscal Year End table above.

- (4) Pursuant to their retention agreements, in the event of an involuntary termination without cause or resignation for good reason, or upon termination due to death or disability, each NEO is entitled to a pro-rated portion of the average annual bonus (or, to the extent applicable, cash distributions, and including any bonuses paid in the form of equity awards or LFI awards based on the grant date value of such awards in accordance with our normal valuation methodology, at the target level, in the case of PRSUs) paid or payable to the executive for our two completed fiscal years immediately preceding the fiscal year in which the termination occurs. Assuming a qualifying termination on December 31, 2016, all NEOs would have received a pro-rated annual bonus equal to the average of such NEO's full annual incentive compensation in respect of 2014 and 2015.
- (5) Upon death, LFIs will immediately vest. Upon disability, or a termination without cause or resignation for good reason, Mr. Bhutani may be immediately taxed on 100% of the LFIs. Accordingly, a percentage of the LFIs in an amount sufficient to cover taxes may be sold, and the remaining percentage will remain subject to restrictive covenants through a limited period.
- (6) Under the retention agreements, each of the NEOs is entitled to three months' notice (or, if the Company elects, base salary in lieu of such notice period) following a termination by the Company other than for cause. In addition, for Mr. Jacobs, this notice period or salary in lieu thereof applies upon a resignation for good reason solely due to a failure by the Company to continue, following the expiration of the retention agreement, Mr. Jacobs' employment as CEO and Chairman pursuant to an agreement having terms and conditions that are reasonable and customary at the time of such expiration, except in the event that Mr. Jacobs rejects an offer of continued employment consistent with the foregoing.

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None of the NEOs is entitled to an excise tax gross-up payment with respect to Section 280G of the Code. Instead, the retention agreements provide for a best net approach, whereby change-in-control payments are limited to the threshold amount under Section 280G if it would be more favorable to the NEO on a net after-tax basis than receiving the full payments and paying the excise taxes. In the case of Mr. Bhutani, in the event of a termination of his employment without cause or resignation for good reason following a change in control, he would benefit from a reduction in his payment, rather than paying the excise tax, in the amounts of \$7,071,414 and \$6,883,914, respectively. These reductions are not reflected in the amounts set forth above. In the case of Messrs. Jacobs, Bucaille, Hoffman and Stern, it would be economically more favorable for them (after taking the excise tax into account) to receive their full payments.

**AMENDED RETENTION AGREEMENTS**

Except in the case of a qualifying termination that occurs on or following a change in control of the Company, the severance benefits described below are conditioned upon the applicable NEO timely delivering an irrevocable waiver and release of claims in favor of the Company and its affiliates.

With respect to a termination for cause of an NEO, the term cause generally means: (i) conviction of, or a guilty plea or plea of nolo contendere (or non-U.S. equivalent) to, a felony, or of any other crime that legally prohibits the NEO from working for the Company; (ii) a breach of a regulatory rule that materially adversely affects the NEO's ability to perform his duties for the Company; (iii) willful and deliberate failure on the part of the NEO (A) to perform his employment duties in any material respect or (B) to follow specific reasonable directions received from the CEO (or, for Messrs. Jacobs and Hoffman, from the Board of Directors or, for Mr. Bucaille, from the Audit Committee of the Board of Directors); or (iv) a breach of the covenants contained in the retention agreements that is (individually or combined with other such breaches) demonstrably and materially injurious to the Company or any of its affiliates. Notwithstanding the foregoing, (1) with respect to the events described in clauses (ii), (iii)(A) and (iv) of the prior sentence, the NEO's acts or failures to act generally shall not constitute cause to the extent taken (or not taken) based upon the direct instructions of the Board of Directors (or the CEO for Messrs. Bucaille, Bhutani, Hoffman and Stern) or upon the direct advice of counsel to the Company; (2) no act or failure to act will be considered willful unless it is done (or omitted to be done) by the NEO in bad faith or without reasonable belief that his action or omission was in the best interests of the Company; (3) clause (iii) of the prior sentence will not apply to any failure by the NEO resulting from incapacity due to physical or mental illness or following a termination by the Company of his employment without cause or his resignation for good reason. In addition, any termination following a change in control for a reason other than as described in clause (i) above shall not be considered for cause until the NEO is delivered a copy of a valid resolution finding, by the affirmative vote of two-thirds of the entire membership of the board of directors (or similar governing body) of the entity that is the parent of the Company, that circumstances constituting cause exist.

With respect to a resignation by an NEO for good reason, the term good reason generally means (subject to notice and a cure period): (i) the assignment to the NEO of any duties



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inconsistent in any material respect with his position(s) (including status, offices, titles and reporting requirements), authority, duties or responsibilities (including, for Mr. Jacobs, any authority, duties or responsibilities as are consistent with those exercised generally by the chief executive officer of a public company) as in effect as of March 9, 2016 or any other action by the Company which results in a material diminution in such position, authority, duties or responsibilities from the level in effect as of such applicable date; (ii) any obligation that the NEO report other than directly to (A) the Board of Directors, in the case of Mr. Jacobs, (B) the Board of Directors or CEO, in the case of Mr. Hoffman, (C) the Audit Committee of the Board of Directors or the CEO, in the case of Mr. Bucaille and (D) the CEO, in the case of Messrs. Bhutani and Stern; (iii) a material breach by the Company of the terms of the retention agreement, including the nondisparagement covenant favoring the NEO; or (iv) without the NEO's written consent, any requirement that the NEO's principal place of employment be relocated to a location that increases the executive's commute from his primary residence by more than 30 miles. Mr. Bhutani's retention agreement also defines "good reason" to include any person, other than Mr. Bhutani, receiving the title "Chairman of Lazard Asset Management LLC" or Chairman of our asset management group, unless (1) such person receives such title in connection with a merger or acquisition transaction involving Lazard, on the one hand, and an unrelated company that has an asset management business of comparable size, or greater, to the Company's asset management group, on the other hand, and (2) such transaction is approved by the Board of Directors. With respect to Mr. Jacobs, his retention agreement also defines "good reason" as any failure by the Company to continue, following the expiration of the retention agreement, Mr. Jacobs' employment as CEO and Chairman pursuant to an agreement having terms and conditions that are reasonable and customary at the time of such expiration, except in the event that Mr. Jacobs rejects an offer of continued employment consistent with the foregoing.

In the event of a qualifying termination of an NEO on December 31, 2016, the executive generally would have been entitled to receive in a lump sum: (1) any unpaid base salary accrued through the date of termination; (2) any earned but unpaid bonuses for years completed prior to the date of termination; (3) a pro-rated portion of the average annual bonus (or, to the extent applicable, cash distributions, and including any bonuses paid in the form of equity awards (including LFI awards) based on the grant date value of such equity awards in accordance with our normal valuation methodology) paid or payable to the executive for the Company's two completed fiscal years immediately preceding the fiscal year in which the termination occurs; and (4) a severance payment in an amount equal to two times the sum of such NEO's base salary and average annual bonus (not pro-rated) described in clause (3). The pro-rated portion of the average annual bonus described in clause (3) of the immediately preceding payment is also payable in the event of a termination due to death or disability. Upon a qualifying termination, each NEO and his eligible dependents would generally continue to be eligible to participate in the Company's medical and dental benefit plans, on the same basis as in effect immediately prior to the date of termination (which currently requires the NEO to pay a portion of the premiums) for two years following such termination. The period of such medical and dental benefits continuation would generally be credited towards the NEO's credited age and service for the purpose of our retiree medical program.

In addition to the post-employment medical and dental benefits described above, following a termination of Mr. Jacobs' service for any reason other than for "cause", Mr. Jacobs and his

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eligible dependents would be eligible for continued participation in our medical and dental benefits plans for the remainder of Mr. Jacobs' life and that of his current spouse, with Mr. Jacobs or his spouse paying the full cost of all premiums associated with such coverage (other than during the periods following a qualifying termination described above). If, following termination of Mr. Jacobs' employment and prior to a change in control of the Company, such coverage becomes impracticable due to fundamental changes in law, Mr. Jacobs and the Company will cooperate to implement reasonable changes to such coverage, as mutually agreed in writing.

A resignation by an NEO for "good reason" will be treated as a termination by the Company without "cause" for purposes of all of his equity and LFI awards outstanding at the time of such resignation. In addition, solely in the case of Mr. Jacobs, in the event of a qualifying termination of Mr. Jacobs' employment prior to March 31, 2019, he will be permitted to sell his restricted shares of our Class A common stock that are subject to ongoing vesting requirements, provided that the proceeds of the sale must be deposited in escrow and will remain subject to forfeiture until the restricted shares otherwise would have vested.

**Noncompetition and Nonsolicitation of Clients.** While providing services to the Company and during the six-month period following termination of the NEO's services (three-month period in the event of such a termination by us without "cause" or by the NEO for "good reason"), the NEO may not:

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

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

solicit any of our clients on behalf of a competitive enterprise or reduce or refrain from doing business with us in connection with the performance of services that would be competing activities, or otherwise interfere with or damage (or attempt such acts in respect of) any client's relationship with us.

**Nonsolicitation of Employees.** While providing services to us (including during any period of notice of termination) and during the nine-month period following termination of the NEO's services, the NEO may not, directly or indirectly, in any manner, solicit or hire any of our officers, agents or employees at the associate level or above to apply for, or accept employment with, any competitive enterprise, or otherwise interfere with any such officer's, agent's or employee's relationship with us.

**Transfer of Client Relationships, Nondisparagement and Notice Period Restrictions.** The NEO is required, upon termination of his services to us and during the 90-day period following termination, to take all actions and do all things reasonably requested by us to maintain for us the business, goodwill and business relationships with our clients with which he worked;

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provided that such actions and things do not materially interfere with other employment or professional activities of the NEO. In addition, while providing services to us and thereafter, the NEO generally may not disparage us and the Company generally may not disparage him, and before and during the three-month notice period prior to termination, the NEO is prohibited from entering into a written agreement to perform competing activities for a competitive enterprise.

**AWARD AGREEMENTS AND DOUBLE-TRIGGER VESTING**

Beginning in 2013, we adopted double-trigger vesting for NEO PRSU, RSU and LFI awards in the event of a change in control, such that PRSU, RSU and LFI awards granted to our NEOs in 2013 and later generally will not immediately accelerate vesting upon a change in control, but will instead require both a change in control and another event (such as a qualifying termination) in order to vest. Mr. Bucaille's outstanding special retention award granted in 2011 that is scheduled to vest in March 2019 automatically will vest in the event of a change in control. In the case of the PRSUs, upon a change in control, the performance period for the unvested but outstanding PRSUs will be deemed to end and the payout level for such performance period will be determined by the Compensation Committee, based on the greater of (i) the target level or (ii) the Company's performance (as measured by the performance metrics described in the underlying PRSU award agreement) through the date of such change in control. However, the service conditions will continue to apply to the PRSUs following a change in control, subject to acceleration in the case of certain qualifying terminations (whether occurring before or after such change in control).

If an NEO had voluntarily resigned from the Company on December 31, 2016 without good reason or was terminated by the Company for cause, he would not have been entitled to receive any severance or pro-rated bonus payments from the Company, and, except in the case of retirement by Mr. Jacobs or Mr. Bucaille, any unvested RSUs, PRSUs and LFIs would have been forfeited. Messrs. Jacobs and Bucaille were retirement-eligible as of December 31, 2016. If an NEO is retirement-eligible, he may retire without forfeiting his PRSUs, but (other than following a change in control) such PRSUs remain subject to performance conditions for the full performance period. Following retirement (other than following a change in control), all PRSUs, RSUs, LFIs and restricted shares remain subject to compliance with restrictive covenants through their original vesting date, notwithstanding any shorter duration provided in award agreements. See Compensation of Our Executive Officers RSU Retirement Policy on page 73.

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**CHANGE IN CONTROL**

The term "change in control", as used in the retention agreements and the 2008 Plan, generally means any of the following events: (i) an acquisition (other than directly from the Company) by an individual, entity or a group (excluding the Company or an employee benefit plan of the Company or a corporation controlled by the Company's shareholders) of 30% or more of either (A) the then-outstanding shares of our Class A common stock (the "Outstanding Company Common Stock") or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); (ii) a change in a majority of the current Board of Directors of the Company (the "Incumbent Board") (excluding any persons approved by a vote of at least a majority of the Incumbent Board other than in connection with an actual or a threatened proxy contest); (iii) consummation of a merger, consolidation or sale of all or substantially all of the Company's assets (collectively, a "Business Combination") other than a Business Combination in which all or substantially all of the individuals and entities who are the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination will beneficially own, directly or indirectly, more than 50% of, respectively, the outstanding shares of common stock, and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination, at least a majority of the board of directors of the resulting corporation were members of the Incumbent Board, and after which no person owns 30% or more of the stock of the resulting corporation, who did not own such stock immediately before the Business Combination; or (iv) shareholder approval of a complete liquidation or dissolution of the Company.

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**SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING AND COMPLIANCE**

Our directors and officers file reports with the SEC indicating the number of shares of any class of our equity securities they owned when they became a director or officer and, after that, any changes in their ownership of our equity securities. These reports are required by Section 16(a) of the Exchange Act. We have reviewed these reports and we have received written representations from the individuals required to file these reports. Based on this review, we believe that during 2016 each of our directors and officers required to file these reports has complied with applicable reporting requirements for transactions in our equity securities.

**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

**Policy on Related Party Transactions**

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

**Related Party Transactions**

**Tax Receivable Agreement**

In connection with our initial public offering and related transactions in May 2005, we entered into a tax receivable agreement with the predecessor of LMDC Holdings, LLC (LMDC Holdings) on May 10, 2005 (the Tax Receivable Agreement). The agreement was based on the mutual recognition that the redemption of Lazard Group membership interests that were

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held by the historical partners of Lazard Group LLC ( Lazard Group ) on May 10, 2005 for cash resulted in an increase in the tax basis of the tangible and intangible assets of Lazard Group attributable to our subsidiaries' interest in Lazard Group that otherwise would not have been available. The agreement also was based on the mutual recognition that the exchange from time to time by such historical partners of exchangeable interests in LAZ-MD Holdings LLC for shares of our Class A common stock could subsequently result in additional increases in such tax basis.

On June 16, 2015, the Company and LMDC Holdings amended and restated the Tax Receivable Agreement and, on October 26, 2015, the Company and LTBP Trust, a Delaware statutory trust (the Trust ), entered into a Second Amended and Restated Tax Receivable Agreement (the Amended and Restated Tax Receivable Agreement ).

Pursuant to these transactions, among other things, (i) LMDC Holdings assigned all of its obligations under the Tax Receivable Agreement, including the obligation to receive payments and promptly distribute them to historical partners of Lazard Group, to the Trust, and the Trust assumed all of LMDC Holdings' obligations thereunder, (ii) LMDC Holdings distributed the interests in the Trust to certain owners of LMDC Holdings, and (iii) holders of interests in the Trust obtained the ability, subject to certain restrictions and conditions, to transfer such interests to certain additional persons and entities, including the Company.

The Amended and Restated Tax Receivable Agreement provides for the payment by our subsidiaries to the Trust of (i) approximately 45% (following the July 2015 purchase described below) of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that we actually realize as a result of the increases in tax basis and of certain other tax benefits related to the Amended and Restated Tax Receivable Agreement, and (ii) an amount that we currently expect will approximate 85% of the cash tax savings that may arise from tax benefits attributable to payments under the Amended and Restated Tax Receivable Agreement. Our subsidiaries expect to benefit from the balance of cash savings, if any, in income tax that our subsidiaries realize. Any amount paid by our subsidiaries to the Trust will generally be distributed to the owners of the Trust, including our executive officers, in proportion to their beneficial interests in the Trust.

For purposes of the Amended and Restated Tax Receivable Agreement, cash savings in income and franchise tax will be computed by comparing our subsidiaries' actual income and franchise tax liability to the amount of such taxes that our subsidiaries would have been required to pay had there been no increase in the tax basis of the tangible and intangible assets of Lazard Group attributable to our subsidiaries' interest in Lazard Group and had our subsidiaries not entered into the Amended and Restated Tax Receivable Agreement. The term of the Amended and Restated Tax Receivable Agreement will continue until approximately 2033 or, if earlier, until all relevant tax benefits have been utilized or expired.

As discussed in Note 18 of Notes to the Consolidated Financial Statements contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, during the period ended June 30, 2015, the Company released substantially all of its valuation allowance against deferred tax assets. As a result, we accrued a corresponding liability of approximately \$962 million during the quarter ended June 30, 2015 for amounts relating to the Amended and Restated Tax Receivable Agreement at that time.

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In July 2015, the Company purchased approximately 47% of the then-outstanding beneficial interests in the Trust from certain owners of the Trust for approximately \$42 million in cash, which resulted in the automatic cancellation of such beneficial interests and the extinguishment of a significant portion of our payment obligations under the Amended and Restated Tax Receivable Agreement. The cumulative liability relating to our obligations under the Amended and Restated Tax Receivable Agreement as of December 31, 2016 was approximately \$514 million.

The amount of the Amended and Restated Tax Receivable Agreement liability is an undiscounted amount based upon currently enacted tax laws, the current structure of the Company and various assumptions regarding potential future operating profitability. The assumptions reflected in the estimate involve significant judgment. As such, the actual amount and timing of payments under the Amended and Restated Tax Receivable Agreement could differ materially from our estimates.

The Company made one payment of approximately \$10 million under the Amended and Restated Tax Receivable Agreement in 2016.

## **Certain Relationships with Our Directors, Executive Officers and Employees**

During 2017 and 2016, certain of our executive officers received Class A common stock in connection with the vesting or conversion of previously granted deferred equity incentive awards. The vesting or conversion, as applicable, of such equity awards gave rise to a tax payable by the executive officers, and, consistent with our past practice, the Company purchased shares of Class A common stock from the executive officers equal in value to the estimated amount of such tax. In addition, during 2017 and 2016, the Company purchased shares of Class A common stock from certain executive officers. Each of the foregoing transactions, including its terms, was reported in a Form 4 filing.

The Vanguard Group beneficially owns more than 5% of our Class A common stock. The Company and its affiliates engage in asset management or other transactions or arrangements with, and provide ordinary course financial services to, entities and funds within the Vanguard Group and its affiliates or their respective clients, including by acting as a sub-advisor to certain funds managed by the Vanguard Group. These transactions and arrangements are negotiated on an arm's-length basis, contain customary terms and conditions, and are unrelated to the ownership of our Class A common stock by the Vanguard Group or its related funds and entities.

Some of our directors and executive officers (and persons or entities affiliated with them) have funds under management with, or other accounts with, our Asset Management business, and have invested or may invest their personal funds in other funds or investments that we have established and that we may manage or sponsor.

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**ITEM 3**

**ADVISORY VOTE REGARDING THE FREQUENCY OF THE ADVISORY VOTE ON EXECUTIVE COMPENSATION**

As discussed above, we have provided our shareholders annually with an opportunity to cast an advisory vote regarding the compensation of our NEOs.

In addition to the advisory vote regarding executive compensation described above (Item 2), in accordance with SEC rules, our shareholders have an opportunity to vote on the frequency of the advisory vote on executive compensation going forward. Our shareholders may vote that we conduct this advisory vote every year, every two years or every three years, or they may abstain from voting on this matter.

The Board has decided to recommend that an advisory vote regarding executive compensation should occur annually. There are legitimate arguments for a biennial or triennial vote, but the Board believes that an annual vote reflects our commitment to compensation governance and the significant interest of our shareholders in executive compensation matters.

As this is an advisory vote, the result will not be binding on the Board, although the Board and our Compensation Committee, which is comprised solely of independent directors, will carefully consider the outcome of the vote when evaluating our compensation policies and practices.

**BOARD OF DIRECTORS RECOMMENDATION**

**The Board recommends that you vote for an advisory vote regarding executive compensation ON AN ANNUAL BASIS.**

Unless otherwise directed in the proxy, the persons named in the proxy will vote for an advisory vote regarding executive compensation ON AN ANNUAL BASIS.



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**ITEM 4**

**RATIFICATION OF THE APPOINTMENT OF DELOITTE & TOUCHE LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2017**

The Audit Committee has recommended the selection of Deloitte & Touche LLP as our independent registered public accounting firm for the 2017 fiscal year, subject to shareholder ratification. Deloitte & Touche LLP will audit our consolidated financial statements for the 2017 fiscal year and perform other services. Deloitte & Touche LLP acted as Lazard's independent registered public accounting firm for the year ended December 31, 2016 and has acted in such capacity since 2001. In addition to this appointment, shareholders are requested to authorize the Board of Directors, acting by the Audit Committee, to set the remuneration for Deloitte & Touche LLP for their audit of the Company for the year ended December 31, 2017. A Deloitte & Touche LLP representative will be present at the meeting, and will have an opportunity to make a statement and to answer your questions.

**BOARD OF DIRECTORS RECOMMENDATION**

The Board recommends you vote FOR this proposal. If a majority of the votes cast on this matter are not cast in favor of the ratification of the appointment of Deloitte & Touche LLP, the Board of Directors, in its discretion, may select another independent auditor as soon as possible.

Unless otherwise directed in the proxy, the persons named in the proxy will vote FOR the ratification of Deloitte & Touche LLP.

Table of Contents**FEES OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

For the fiscal years ended December 31, 2016 and 2015, fees for services provided by Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu and their respective affiliates were as follows (in thousands of dollars):

<b>Fees</b>	<b>2016</b>	<b>2015</b>
<b>Audit Fees</b> for the audit of Lazard's annual financial statements, the audit of the effectiveness of Lazard's internal control over financial reporting and reviews of the financial statements included in Lazard's quarterly reports on Form 10-Q, including services in connection with statutory and regulatory filings or engagements	\$ 7,553	\$ 7,494
<b>Audit-Related Fees</b> , including fees for audits of employee benefit plans, computer and control-related attest services, agreed-upon procedures, regulatory and compliance reviews, fund audits and other accounting research services	\$ 1,262	\$ 1,141
<b>Tax Fees</b> for tax advisory and compliance services not related to the audit	\$ 765	\$ 647
<b>All Other Fees (1)</b>	\$ 11	\$ 350

- (1) Represents fees for various services in 2016 and, during 2015, certain consulting services and cybersecurity awareness training services, that were provided to the Company by affiliates of Deloitte & Touche LLP and that were unrelated to the audit, audit-related and tax services described above.

The Audit Committee has adopted a policy regarding pre-approval of audit and non-audit services provided by our independent auditor to the Company and its subsidiaries. The policy provides the guidelines necessary to adhere to Lazard's commitment to auditor independence and compliance with relevant laws, regulations and guidelines relating to auditor independence. The policy sets forth four categories of permitted services (Audit, Audit-Related, Tax and Other), listing the types of permitted services in each category. All of the permitted services require pre-approval by the Audit Committee. In lieu of Audit Committee pre-approval on an engagement-by-engagement basis, each category of permitted services, with reasonable detail as to the types of services contemplated, is pre-approved as part of the annual budget approval by the Audit Committee. Permitted services not contemplated during the budget process must be presented to the Audit Committee for approval prior to the commencement of the relevant engagement. The Audit Committee Chair, or, if he is not available, any other member of the Audit Committee, may grant approval for any such engagement if approval is required prior to the next scheduled meeting of the Audit Committee. All of the fees paid to Deloitte & Touche LLP in 2016 were pre-approved in accordance with these procedures, and there were no services for which the de minimis exception permitted in certain circumstances under SEC rules was utilized.

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**AUDIT COMMITTEE REPORT**

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

In the performance of its oversight function, the Committee has reviewed and discussed the audited financial statements as of and for the year ended December 31, 2016 with management and the independent auditor. The Committee has also discussed with the independent auditor the matters required to be discussed by Public Company Accounting Oversight Board, or PCAOB, Auditing Standard No. 16, Communications with Audit Committees. Finally, the Committee has received the written disclosures and the letter from the independent auditor required by PCAOB Rule 3526, Communications with Audit Committees Concerning Independence, has considered whether the provision of other non-audit services by the independent auditor to the Company is compatible with maintaining the independent auditor's independence and has discussed with the independent auditor the independent auditor's independence.

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

Based upon the review and discussions described in this report, and subject to the limitations on the role and responsibilities of the Committee referred to above and in the Committee charter, the Committee recommended to our Board of Directors that the audited financial statements referred to above be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 to be filed with the Securities and Exchange Commission.

Dated as of February 22, 2017

**Audit Committee**

Philip A. Laskawy (Chair), Andrew M. Alper, Steven J. Heyer and Jane L. Mendillo

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**ITEM 5**

**CONSIDERATION OF NON-BINDING SHAREHOLDER PROPOSAL**

In accordance with SEC rules, we have set forth below a non-binding shareholder proposal, along with the supporting statement of the shareholder proponent, for which we and our Board accept no responsibility. The non-binding shareholder proposal is required to be voted on at our annual meeting only if properly presented by the shareholder proponent at our annual meeting. As explained below, our Board unanimously recommends that you vote AGAINST the non-binding shareholder proposal.

The AFL-CIO Reserve Fund, 815 Sixteenth Street, N.W., Washington, D.C., 20006, beneficial owner of 102 shares of Class A common stock, is the proponent of the following non-binding shareholder proposal. The AFL-CIO Reserve Fund has advised us that it intends to present this non-binding proposal at our annual meeting.

**Shareholder Proponent's Proposal**

RESOLVED: Shareholders of Lazard Ltd (the Company) request that the Board of Directors adopt a policy prohibiting the vesting of equity-based awards for senior executives due to a voluntary resignation to enter government service (a Government Service Golden Parachute).

For purposes of this resolution, equity-based awards include stock options, restricted stock and other stock awards granted under an equity incentive plan. Government service includes employment with any U.S. federal, state or local government, any supranational or international organization, any self-regulatory organization, or any agency or instrumentality of any such government or organization, or any electoral campaign for public office.

This policy shall be implemented so as not to violate existing contractual obligations or the terms of any compensation or benefit plan currently in existence on the date this proposal is adopted, and it shall apply only to equity awards or plan amendments that shareholders approve after the date of the 2017 annual meeting.

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**Shareholder Proponent's Supporting Statement**

**SUPPORTING STATEMENT:**

Our Company's 2005 Equity Incentive Plan and 2008 Incentive Compensation Plan gives the Compensation Committee complete discretion to accelerate the vesting of equity-based awards of executives after their voluntary resignation of employment from the Company to pursue a career in government service. In other words, our Company's Compensation Committee is authorized to give a "golden parachute" for entering government service.

At most companies, equity-based awards vest over a period of time to compensate executives for their labor during the commensurate period. If an executive voluntarily resigns before the vesting criteria are satisfied, unvested awards are usually forfeited. While government service is commendable, we question the practice of our Company providing accelerated vesting of equity-based awards to executives who voluntarily resign to enter government service.

The vesting of equity-based awards over a period of time is a powerful tool for companies to attract and retain talented employees. But contrary to this goal, our Company's incentive compensation plan gives directors discretion to provide for the vesting of equity awards for executives who voluntarily resign to pursue a government service career (subject to certain conditions).

Last year in its opposition statement to this resolution, the Company stated that "Equity compensation awards generally represent deferred compensation for services that have already been provided to our Company at the time of grant. However, in our view, the acceleration of awards that would otherwise be forfeited after a voluntary termination is a windfall payment, not a form of deferred compensation for previous service."

We believe that compensation plans should align the interests of senior executives with the long-term interests of the Company. We oppose compensation plans that provide windfalls to executives that are unrelated to their performance. For these reasons, we question how our Company benefits from providing Government Service Golden Parachutes. Surely our Company does not expect to receive favorable treatment from its former executives?

**The supporting statement set forth above was provided by the shareholder proponent and does not reflect the Board's recommendation regarding the proposal.**

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**BOARD OF DIRECTORS RECOMMENDATION**

**The Board unanimously recommends a vote AGAINST this proposal. Unless otherwise directed in the proxy, the persons named in the proxy will vote AGAINST this proposal.**

*The AFL-CIO Reserve Fund (the AFL-CIO ) is the beneficial owner of 0.00008% of our Company s common stock and has submitted this proposal for consideration at the meeting. The AFL-CIO presented the same proposal last year at our 2016 Annual General Meeting of Shareholders and our shareholders voted against the proposal.*

**We do not believe that the AFL-CIO s proposed policy would be in the best interests of our Company or our shareholders.**

**We believe that the AFL-CIO s proposed policy would encumber our ability to retain, attract and motivate some of the most highly valuable individuals available to us, resulting in a substantial competitive disadvantage to our Company.**

**The Compensation Committee has been entrusted by our Board of Directors and our shareholders to ultimately determine our compensation policies, including the circumstances under which it would be in the best interests of our Company and our shareholders to accelerate the vesting of an outstanding equity award. We believe that the Compensation Committee should continue to be so entrusted, including in the limited number of cases involving individuals who pursue government service.**

**None of our employees, including our senior executives, is contractually entitled to the accelerated vesting of outstanding equity awards following a voluntary resignation in order to pursue government service.**

In its supporting statement, the AFL-CIO questions how our Company would benefit from a decision by our Compensation Committee to accelerate the vesting of an outstanding equity award for an individual that pursues government service.

We are an intellectual capital firm, solely reliant on individuals, not a balance sheet. The retention, attraction and motivation of talented individuals are cornerstones of our Company and our compensation philosophy, and we must pursue these goals to remain competitive.

We believe that our people are our most important asset, and it is their reputation, talent, integrity and dedication that underpin our success.

Lazard fosters a strong culture of public service, and in our 169-year history some of our most valuable professionals have at various times left the Company to serve their countries and communities, often to make a lasting impact. We are proud of these individuals and their civic contributions, and we believe they have contributed to the success and invaluable reputation of the Company, which allows us to continue to attract and retain valuable professionals.



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Our Company's success depends upon our ability to retain, attract and motivate individuals, including prominent individuals who may wish to contribute to their countries and communities at some point by entering or returning to government service after leaving Lazard.

Equity compensation awards generally represent deferred compensation for services that have already been provided to our Company at the time of grant. The AFL-CIO's policy, if implemented, could cause a highly valuable and civic-minded individual to reconsider joining, or remaining employed by, our Company. Such an individual could be dissuaded by the blanket prohibition on the accelerated vesting of any portion of the individual's equity awards upon a resignation of employment to enter government service, and accordingly might seek employment with one of our competitors that is not burdened by such a blanket prohibition, or simply choose to leave Lazard prematurely, rather than continue to receive a substantial portion of compensation in the form of deferred equity that the individual would summarily forfeit upon a resignation to enter government service.

We believe that the AFL-CIO's proposed policy would encumber our ability to retain, attract and motivate some of the most highly valuable individuals available to us, resulting in a substantial competitive disadvantage to our Company. We do not believe that this would be in the best interests of our Company or our shareholders.

We believe that the Compensation Committee should continue to be entrusted to make determinations that fundamentally impact our ability to retain, attract and motivate our Company's most important asset—our people—who, in turn, drive our Company's success.

The Compensation Committee has been entrusted to oversee our firm-wide compensation programs and to administer our 2008 Plan. This responsibility involved the oversight of over \$1.3 billion of compensation and benefits expense in 2016.

We believe that the Compensation Committee should continue to be entrusted to determine the rare circumstances under which it would be in the best interests of our Company and our shareholders to accelerate the vesting of an outstanding equity award. This could include situations where such acceleration may eliminate impermissible conflicts of interest for individuals who wish to pursue government, community, charitable or philanthropic service.



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**SHAREHOLDER PROPOSALS AND NOMINATIONS FOR THE 2018 ANNUAL GENERAL MEETING**

Proxy Statement Proposals. Under the rules of the SEC, proposals that shareholders seek to have included in the proxy statement for our next annual general meeting of shareholders must be received by the Secretary of the Company not later than November 16, 2017.

Other Proposals and Nominations. Our Bye-laws govern the submission of nominations for director or other business proposals that a shareholder wishes to have considered at a meeting of shareholders, but which are not included in the Company's proxy statement for that meeting. Under our Bye-laws, nominations for director or other business proposals to be addressed at our next annual general meeting may be made by a shareholder entitled to vote who has delivered a notice to the Secretary of the Company no later than the close of business on January 25, 2018, and not earlier than December 26, 2017. The notice must contain the information required by the Bye-laws.

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

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

**LAZARD LTD****STANDARDS OF DIRECTOR INDEPENDENCE**

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

**1. Employment and commercial relationships affecting independence.**

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

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

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

In addition to the provisions of Section 1 above, each of which must be fully satisfied with respect to each independent director, the Board must affirmatively determine that the director has no material relationship with Lazard. To assist the Board in this determination, and as permitted by the New York Stock Exchange's Corporate Governance Rules, the Board has adopted the following categorical standards of relationships that are not considered material for purposes of determining a director's independence. Any determination of independence

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for a director that does not meet these categorical standards will be based upon all relevant facts and circumstances and the Board shall disclose the basis for such determination in the Company's proxy statement.

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

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

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

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

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

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

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

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**Electronic Voting Instructions**

**Available 24 hours a day, 7 days a week!**

Instead of mailing your proxy, you may choose one of the voting methods outlined below to vote your proxy.

VALIDATION DETAILS ARE  
LOCATED BELOW IN THE TITLE  
BAR.

**Proxies submitted by the Internet or  
telephone must be received by 11:59  
p.m., Eastern Daylight Time, on  
April 24, 2017.**

**Vote by Internet**

Go to  
[www.investorvote.com/LAZ](http://www.investorvote.com/LAZ)

Or scan the QR code with your  
smartphone

Follow the steps outlined on the  
secure website

**Vote by telephone**

Call toll free **1-800-652-VOTE (8683)** within the USA, US territories & Canada on a touch tone telephone

Follow the instructions provided by the recorded message

Using a **black ink** pen, mark your votes with an **X** as shown in this example. Please do not write outside the designated areas.

q **IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.** q

**A Proposals**

Election of Directors to Lazard Ltd's Board of Directors. **The Board of Directors recommends you vote**

1. **FOR ALL of the Director nominees.** +

**Nominees:**

01 - Kenneth M. Jacobs

02 - Michelle Jarrard

03 - Philip A. Laskawy

**For All EXCEPT** - To withhold authority to vote for any

**Mark here to vote**

**Mark here to WITHHOLD**

**FOR ALL nominees**

**vote from all nominees**

nominee(s), write the name(s) of such nominee(s) below.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**For Against Abstain**

**For Against Abstain**

2. Non-binding advisory vote regarding executive compensation. **The**

4. Ratification of appointment of Deloitte & Touche LLP as Lazard

**Board of Directors recommends you vote FOR this matter.**

Ltd s independent registered public accounting firm for 2017 and authorization of the Board of Directors, acting by its Audit Committee, to set their remuneration. **The Board of Directors recommends you vote FOR this matter.**

**Annual Biennial Triennial Abstain**

**For Against Abstain**

3. Non-binding advisory vote regarding the frequency of the advisory vote on executive compensation. **The Board of Directors recommends you vote for an ANNUAL vote.**

5. Non-binding shareholder proposal to prohibit vesting of equity awards for senior executives due to resignation to enter government service. **The Board of Directors recommends you vote AGAINST this proposal.**

**B Non-Voting Items**

**Change of Address** Please print your new address below. **Comments** below.

Please print your comments

**Meeting Attendance**

Mark the box to the right if you plan to attend the Annual Meeting.

**C Authorized Signatures** This section must be completed for your vote to be counted. **Date and Sign Below** Please sign exactly as your name or names appear above. For joint accounts, each owner should sign. If signing for a corporation or partnership or as agent, attorney or fiduciary, indicate capacity in which you are signing.

(mm/dd/yyyy) Please print date below. Signature 1 Please keep signature within the box. Signature 2 Please keep signature within the box.

02JJFB

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**q IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. q**

**Proxy LAZARD LTD**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

**FOR THE 2017 ANNUAL GENERAL MEETING OF SHAREHOLDERS**

The undersigned hereby appoints Kenneth M. Jacobs, Scott D. Hoffman and Alexander F. Stern as proxies (each with power to act alone and with the power of substitution) of the undersigned to vote all shares which the undersigned would be entitled to vote at the Annual General Meeting of Shareholders of Lazard Ltd to be held on April 25, 2017 at 5:30 p.m. Bermuda time (4:30 p.m. Eastern Daylight Time), at the Elbow Beach Hotel, 60 South Shore Road, Paget PG04, Bermuda, and at any adjournment or postponement thereof.

**THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED HEREIN. IF NO DIRECTIONS ARE MADE, IT WILL BE VOTED FOR ALL WITH RESPECT TO ITEM 1, FOR ITEM 2, ANNUAL WITH RESPECT TO ITEM 3, FOR ITEM 4, AND AGAINST ITEM 5. THE PROXY HOLDERS ARE ALSO AUTHORIZED TO VOTE UPON ANY OTHER MATTERS THAT MAY PROPERLY COME BEFORE THE MEETING OR ANY ADJOURNMENT OR POSTPONEMENT THEREOF, UTILIZING THEIR OWN DISCRETION AS SET FORTH IN THE NOTICE OF 2017 ANNUAL GENERAL MEETING OF SHAREHOLDERS AND PROXY STATEMENT.**

Important Notice Regarding the Availability of Proxy Materials for the 2017 Annual General Meeting of Shareholders: The Notice of Annual Meeting, Proxy Statement and 2016 Annual Report can be viewed at our website at [www.lazard.com/investorrelations/](http://www.lazard.com/investorrelations/)

**(Continued and to be marked, dated and signed, on the other side)**