

NATURE OF THE ACTION

1. This is a class action on behalf of purchasers of the publicly-traded securities of Lazard Ltd. (“Lazard” or the “Company”) who purchased such securities pursuant and/or traceable to the Company’s false and misleading Registration Statement/Prospectus, as defined herein, issued in connection with the initial public offering of Lazard shares (the “IPO” or the “Offering”), together with those who purchased their shares in the open market between May 4, 2005 and May 12, 2005 inclusive (the “Class Period”), seeking to pursue remedies under the Securities Act of 1933 (the “Securities Act”) and the Securities Exchange Act of 1934 (the “Exchange Act”).

2. Defendant Lazard, which was founded in 1848 and is based in New York City, operates primarily as a financial advisory and asset management firm. It offers an array of financial advisory services regarding mergers and acquisitions, restructurings, and various other corporate finance matters for corporate, partnership, institutional, government, and individual clients. The Company’s services include evaluating potential acquisition targets; providing valuation analyses; evaluating and proposing financial and strategic alternatives; and rendering opinions. In addition, Lazard provides investment management and advisory services to institutional clients, financial intermediaries, private clients, and investment vehicles worldwide. The Company has operations in Europe, North America, Asia, and Australia.

3. On May 4, 2005, the Company announced an initial public offering of about 34.18 million shares at a price of \$25 per share (the “IPO”). The Company also announced that it would be raising funds through two other offerings: (i) a \$550 million debt offering; and (ii) a \$287 million convertible preferred offering (referred to herein collectively, with the IPO, as the “Offerings”).

4. The May 2005 IPO would end Lazard’s connection to Michel David-Weill (“David-Weill”), the Company’s former Chairman and a descendant of Alexandre Weill, who was a cousin of

founders Alexandre, Elie and Simon Lazard. Alexandre Weill, who joined the firm in 1856, eventually gained control because none of the Lazard brothers had male heirs.

5. The Company's Chief Executive Officer, defendant Bruce Wasserstein ("Wasserstein"), planned to use the proceeds from the Offerings to buy-out the financial interest of David-Weill and his allies. Initially, David-Weill opposed defendant Wasserstein's plan to take Lazard public, but ultimately yielded after defendant Wasserstein promised to buy out the 36 percent stake held by David-Weill and his allies for \$1.6 billion with the proceeds received from the Offerings. **Defendant Wasserstein also promised to complete the transaction by the end of 2005 or quit.**

6. The amount of money to be raised in the IPO was the only amount of money in the Offerings that had not yet been finalized and could still be adjusted. By the end of April 2005, the Company had all but sold its \$550 million debt offering and its \$287 million convertible preferred offering. In order to raise the \$1.6 billion to pay David-Weill and his allies, Lazard and defendant Wasserstein insisted that the IPO would need to be priced at \$25 per share – irrespective of whether the market would support that price. Prior to the IPO, defendant Wasserstein and the Company's lead underwriter, defendant Goldman Sachs & Co. ("Goldman") *knew* the market, absent an absurd price manipulation by a third party, would immediately trade between \$21 and \$22 per share. If the IPO was priced at that level, defendant Wasserstein would be responsible for making up the \$138 million shortfall in order to fully compensate David-Weill.

7. ***Lazard's IPO was doomed days before it began trading on the New York Stock Exchange*** ("NYSE"). In late April, as defendants were finalizing their due diligence in connection with Lazard's IPO, defendant Wasserstein openly pressed Goldman to set the IPO range between "\$25 and \$27 a share." However, it was clear to the defendants, all of whom were highly skilled in

bringing companies public and the “pricing” of such offerings, that the market could not and would not support a \$25 per share offering price for Lazard’s common stock.

8. Lazard (the issuer) and its directors (Individual Defendants), like Goldman, specialize in bringing companies “public,” and had intimate knowledge of “how” IPOs are priced as well as the implications of responsive “indications of interest.” In fact, Goldman had received “indications of interest” which dictated an IPO price of between \$21 and \$22 per share. These “indications of interest” measure by highly objective factors where an IPO is “priced.” These measurements were generated by Goldman’s corporate finance department. Prior to the IPO, Goldman’s corporate finance department had distributed “red herrings” (essentially a pre-IPO prospectus) to its existing clients and other potential purchasers of the IPO. These recipients then provided “indications of interest” reflecting the quantity and price at which they would be interested in acquiring shares in Lazard’s IPO. These indications reflected the fact that the market would accept, at most, an IPO price of \$21 and \$22 per share - well below the \$25 IPO price that Lazard had hoped for and that defendant Wasserstein was insisting on.

9. Instead of pricing the IPO at a level where a market existed (based on defendants’ own knowledge of highly objective facts), defendants “priced” the IPO at \$25 per share. This pricing lacked any reasonable or rational basis – it was only intended to accomplish the master scheme organized by defendant Wasserstein.

10. Moreover, and unbeknownst to the investing public, defendant Wasserstein would not sign off on the Registration Statement/Prospectus *unless* the IPO was priced at \$25. Absent defendant Wasserstein’s agreement, the IPO could not go forward which would mean a loss of \$42.7 million to Goldman for banking fees. Moreover, since Goldman’s fees increased with a higher IPO

price, Goldman was thoroughly incentivized to agree to defendant Wasserstein's insistence of a \$25 IPO price.

11. Defendant Wasserstein was primarily using the proceeds of the IPO for *funding* the cost of acquiring David-Weill's equity (control stake) in Lazard. If the IPO took place at any price below \$25, defendant Wasserstein would not be able to fund the acquisition of the equity stake through the IPO proceeds. *Essentially, the \$25 IPO price was dictated by defendant Wasserstein's agreement to buy David-Weill's equity stake – nothing else! Defendants knew that a “market” did not exist for these shares above \$22. Instead of lowering it to about \$22 a share – a price point that was dictated to Goldman because of the weak demand and objective factors received through the indications of interest – Goldman agreed to push for \$25 a share*, the minimum amount required to allow defendant Wasserstein to pay David-Weill. While banks usually set the share price with input from their clients, this client was different: Lazard is an investment bank that had its own views and would dictate the terms -- at the expense of shareholders comprising the Class. And, on the backs of the Company's new shareholders (many of whom are members of the Class), defendant Wasserstein got his wish as Goldman raised the extra \$138 million that was necessary for defendant Wasserstein to pay David-Weill and Goldman pocketed \$42.7 million for “selling” the IPO (in contrast to the *\$35.8 million* in investment banking fees which Goldman would have received had the IPO only been priced at \$22 per share).

12. To “create a market” and thereby manufacture an appearance that Lazard's IPO was accepted by the market, Goldman arranged to sell millions of shares to hedge funds with side agreements that they could immediately “flip the shares” and that Goldman would immediately buy them back. Moreover, Goldman also agreed that, in *this* particular case (unlike with other IPOs), “flipping” the shares immediately would not negatively impact the hedge funds' ability to participate

in future IPOs. With Goldman's side agreements, several hedge funds, albeit reluctantly, agreed to "*theoretically*" buy the shares in the IPO so that the IPO would be considered "consummated" and Goldman could receive its underwriting fee, but again with the understanding that the hedge funds could immediately sell the shares back to Goldman – without affecting their standing in future IPOs. This was not a typical IPO – nor was this a typical issuer. This issuer – Lazard – was as skilled in IPO transactions as its underwriter – Goldman. Part of what made the IPO so unusual was that there was not a *real* market for the IPO at the \$25 price level. So, these experienced companies and individuals "created" one. That meant the moment the stock began trading, thousands of shares flooded the market. Goldman was there, as promised, and bought back, in less than 48 hours, 3.1 million shares from the funds.

13. On May 12, 2005, only days after the IPO, and right after Goldman stopped buying back the Company's shares, the price of the Company's shares plunged from \$25 per share to less than \$21 per share.

14. The true facts which were known to defendants and/or otherwise omitted from the Registration Statement/Prospectus were as follows:

(a) that to "create a market" and thereby manufacture an appearance that Lazard's IPO was fairly and properly priced, Goldman arranged to sell millions of shares to hedge funds with side agreements that they could immediately "flip the shares" and that Goldman would immediately buy them back;

(b) that Goldman entered into side agreements whereby several hedge funds agreed to "*theoretically*" buy the shares in the IPO so that the IPO would be considered "consummated" and Goldman could receive its underwriting fee, but again with the understanding

the hedge funds could immediately sell the shares back to Goldman – without affecting their standing in future IPOs;

(c) that a *true* market for the IPO at a price of \$25 per share did not exist. In fact, the \$25 price was arrived at because it was dictated by defendant Wasserstein. If the IPO took place at any price below \$25 per share, defendant Wasserstein would not be able to fund the acquisition of David-Weill’s equity stake by only using the proceeds of the IPO. *Essentially, the \$25 IPO price was dictated by defendant Wasserstein’s agreement to buy David-Weill’s equity stake – nothing else! Defendants knew that a “market” above \$22 per share did not exist for Lazard stock. Instead of lowering the IPO price to about \$22 per share – a price level Goldman recommended because of weak demand and objective factors received through the indications of interest – Goldman decided to push for \$25 per share*, the minimum amount required to allow defendant Wasserstein to pay David-Weill;

(d) that the Registration Statement/Prospectus had failed to adequately and fully comply with S-K Item 505 which requires a prospectus to describe “the various factors considered in determining the offering price” when common shares without an established public trading market are being registered; and

(e) that, in violation of SEC regulations, the Registration Statement/Prospectus failed to disclose that Gerardo Braggiotti, the Company’s deputy Chairman in Europe and a major rainmaker of new business for the Company, who had only supported the IPO because of a promise (which was later reneged on) that he would be appointed as head of Lazard’s European operations, was likely to leave Lazard and/or cause turmoil within the organization as he opposed the IPO and opposed defendant Wasserstein’s purchase of David-Weill’s shares.

JURISDICTION AND VENUE

15. The claims asserted herein arise under and pursuant to §§11, 12(a)(2) and 15 of the Securities Act and §§10(b) and 20(a) of the Exchange Act [15 U.S.C. §§78j(b) and 78t(a)] and Rule 10b-5 promulgated thereunder by the Securities and Exchange Commission (“SEC”) [17 C.F.R. §240.10b-5] and §§11 and 15 of the Securities Act [15 U.S.C. §§77k and 77o].

16. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §1331, §27 of the Exchange Act and §22 of the Securities Act.

17. Venue is proper in this District pursuant to §22 of the Securities Act, §27 of the Exchange Act and 28 U.S.C. §1391(b), as many of the acts complained of herein occurred in this District and defendants Lazard and Goldman maintain their corporate headquarters in this District.

18. In connection with the acts alleged in this complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications and the facilities of the national securities markets.

PARTIES

19. Plaintiff Arlette Miller (“Plaintiff”) purchased shares of Lazard in the IPO, as set forth in the accompanying certification which is incorporated herein by reference, and has been damaged thereby.

20. Defendant Lazard is a financial advisory and asset management firm. Lazard maintains its principal place of business in New York City and is publicly traded on the NYSE under the ticker symbol “LAZ.”

21. Defendant Goldman, a subsidiary of Goldman Sachs Group, L.P., is a global investment banking and securities firm and also provides asset management and securities services. Goldman maintains its principal place of business in New York City.

22. Defendant Bruce Wasserstein (“Wasserstein”) served, at all relevant times, as the Chairman, Chief Executive Officer and Chairman of the Executive Committee of the Company and signed the Company’s Registration Statement/Prospectus pursuant to the requirements of the Securities Act.

23. Defendant Steven J. Golub (“Golub”) was Vice Chairman, Managing Director and Chairman of the Financial Advisory Group of the Company and signed the Company’s Registration Statement/Prospectus pursuant to the requirements of the Securities Act.

24. Defendant Charles G. Ward III (“Ward”) was President and Chairman of Asset Management Group and Managing Director of the Company and signed the Company’s Registration Statement/Prospectus pursuant to the requirements of the Securities Act.

25. Defendant William M. Lewis (“Lewis”) was Co-Chairman of Investment Banking of the Company and signed the Company’s Registration Statement/Prospectus pursuant to the requirements of the Securities Act.

26. Defendant Michael J. Castellano (“Castellano”) was Chief Financial Officer, Principal Accounting Officer, Vice President and Managing Director of the Company and signed the Company’s Registration Statement/Prospectus pursuant to the requirements of the Securities Act.

27. The defendants referenced above in ¶¶ 22-26 are referred to herein as the “Individual Defendants.”

28. Because of the Individual Defendants’ positions with the Company, they had access to the adverse undisclosed information about its business, operations, products, operational trends, financial statements, markets and present and future business prospects via access to internal corporate documents (including the Company’s operating plans, budgets and forecasts and reports of actual operations compared thereto), conversations and connections with other corporate officers and

employees, attendance at management and Board of Directors meetings and committees thereof and via reports and other information provided to them in connection therewith.

29. It is appropriate to treat the Individual Defendants as a group for pleading purposes and to presume that the false, misleading and incomplete information conveyed in the Company's public filings, press releases and other publications as alleged herein are the collective actions of the narrowly defined group of defendants identified above. Each of the above officers of Lazard, by virtue of their high-level positions with the Company, directly participated in the management of the Company, was directly involved in the day-to-day operations of the Company at the highest levels and was privy to confidential proprietary information concerning the Company and its business, operations, products, growth, financial statements, and financial condition, as alleged herein. Said defendants were involved in drafting, producing, reviewing and/or disseminating the false and misleading statements and information alleged herein (and were responsible for failing to disclose the material omissions described herein) and were aware, or recklessly disregarded, that the false and misleading statements were being issued regarding the Company (and important disclosures were never made), and approved or ratified these statements, in violation of the federal securities laws.

30. As officers and controlling persons of a publicly held company whose common stock was, and is, registered with the SEC pursuant to the Exchange Act, and was and is traded on the NYSE and governed by the provisions of the federal securities laws, the Individual Defendants each had a duty to disseminate promptly accurate and truthful information with respect to the Company's financial condition and performance, growth, operations, financial statements, business, products, markets, management, earnings and present and future business prospects, and to correct any previously issued statements that had become materially misleading or untrue, so that the market prices of the Company's publicly traded securities would be based upon truthful and accurate

information. The Individual Defendants' misrepresentations and omissions during the Class Period violated these specific requirements and obligations.

31. The Individual Defendants participated in the drafting, preparation, and/or approval of the various public and shareholder and investor reports and other communications complained of herein and were aware of, or recklessly disregarded, the misstatements contained therein and omissions therefrom, and were aware of their materially false and misleading nature. Because of their Board membership and/or executive and managerial positions with Lazard, each of the Individual Defendants had access to the adverse undisclosed information about Lazard's business prospects, financial condition and performance as particularized herein and knew (or recklessly disregarded) that these adverse facts rendered the positive representations made by or about Lazard and its business, issued or adopted by the Company materially false and misleading.

32. Each of the defendants is liable as a direct participant in, and a co-conspirator with respect to, the wrongs complained of herein. In addition, the Individual Defendants, by reason of their positions, are "controlling persons" within the meaning of §15 of the Securities Act and §20 of the Exchange Act had the power and influence to cause the Company to engage in the unlawful conduct complained of herein. Because of their positions of control, the Individual Defendants were able to and did, directly or indirectly, control the conduct of the Company's business.

33. The Individual Defendants, because of their positions of control and authority as officers and/or directors of the Company, were able to and did control the content of the various SEC filings, press releases and other public statements pertaining to the Company during the Class Period. Each Individual Defendant was provided with copies of the documents alleged herein to be misleading prior to or shortly after their issuance and/or had the ability and/or opportunity to prevent their issuance or cause them to be corrected. Accordingly, each of the Individual Defendants is

responsible for the accuracy of the public reports and releases detailed herein and is therefore primarily liable for the representations contained therein.

34. Each of the defendants is liable as a participant in a fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of Lazard publicly traded securities by disseminating materially false and misleading statements and/or concealing material adverse facts. The scheme: (i) deceived the investing public regarding Lazard's business, operations, management and the intrinsic value of Lazard securities; (ii) enabled the defendants to raise \$855 million in the Company's IPO; (iii) enabled defendant Wasserstein to acquire David-Weill's shares using the proceeds received in the IPO; and (iv) caused plaintiff and other members of the Class to purchase Lazard publicly traded securities at artificially inflated prices.

DEFENDANTS' SCIENTER

35. As alleged herein, defendants acted with scienter in that defendants had actual knowledge that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, defendants, by virtue of their receipt of information reflecting the true facts regarding Lazard and their control over and/or receipt and/or modification of Lazard's allegedly materially misleading statements and omissions and/or their associations with the Company which made them privy to confidential proprietary information concerning Lazard, participated in the fraudulent scheme alleged herein. This scheme: (a) deceived the investing public regarding Lazard's business, financial results, growth, operations and the intrinsic value of Lazard securities so as to allow defendants to raise \$855 million in the IPO; and (b) allowed defendant Wasserstein to acquire David-Weill's equity stake using the proceeds of the IPO,

while in possession of materially adverse, undisclosed information about the true value of the Company's stock. The scheme also caused plaintiff and other members of the Class to purchase or otherwise acquire Lazard securities in a market in which the prices of Lazard securities were artificially inflated.

CLASS ACTION ALLEGATIONS

36. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class consisting of all those who purchased the shares of Lazard (the "Class") pursuant and/or traceable to the Company's false and misleading Registration Statement/Prospectus, issued in connection with the IPO, together with those who purchased their shares in the open market between May 5, 2005 and May 12, 2005, inclusive, and who were damaged thereby. Excluded from the Class are defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which defendants have or had a controlling interest.

37. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Lazard shares were actively traded on the NYSE. While the exact number of Class members is unknown to plaintiff at this time and can only be ascertained through appropriate discovery, plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Lazard or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

38. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by defendants' wrongful conduct in violation of federal law that is complained of herein.

39. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

40. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether the federal securities laws were violated by defendants' acts as alleged herein;

(b) whether statements made by defendants to the investing public during the Class Period misrepresented material facts about the business, operations and management of Lazard; and

(c) to what extent the members of the Class have sustained damages and the proper measure of damages.

41. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

SUBSTANTIVE ALLEGATIONS

Background

42. Defendant Lazard operates as a financial advisory and asset management firm. It offers an array of financial advisory services regarding mergers and acquisitions, restructurings, and various other corporate finance matters for corporate, partnership, institutional, government, and individual clients. The company's services include evaluating potential acquisition targets; providing valuation analyses; evaluating and proposing financial and strategic alternatives; and

rendering opinions. In addition, Lazard provides investment management and advisory services to institutional clients, financial intermediaries, private clients, and investment vehicles worldwide.

MATERIALLY FALSE AND MISLEADING STATEMENTS ISSUED DURING THE CLASS PERIOD

The Registration Statement/Prospectus

43. On May 6, 2005, Lazard filed its form 424B3 with the SEC, which contained the Company's Registration Statement ("Registration Statement/Prospectus"). With regard to the pricing of the stock, the Registration Statement/Prospectus stated, in pertinent part, as follows:

Prior to this offering, there has been no public market for the shares of our common stock. The initial public offering price has been negotiated between us and the representative. **Among the factors considered in determining the initial public offering price of the shares, in addition to prevailing market conditions, were our historical performance, estimates of our business potential and earnings prospects, an assessment of our and LAZ-MD Holdings' management and the consideration of the above factors in relation to market valuation of companies in related businesses.** [Emphasis added.]

44. The statement referenced above was materially false and misleading when issued because the defendants failed to disclose that the price of Lazard's IPO was predicated, in part, on defendant Wasserstein's need to raise an additional \$138 million to pay David-Weill and his contemporaries, as alleged herein in detail. Moreover, pursuant to S-K Item 505, the Prospectus was required to describe "the various factors considered in determining the offering price."

45. With regard to certain risks related to the Company's business, the Registration Statement/Prospectus provided, in pertinent part, that:

Our ability to retain our managing directors and other key professional employees is critical to the success of our business, including maintaining compensation levels at an appropriate level of costs, and failure to do so may materially adversely affect our results of operations and financial position.

Our people are our most important resource. We must retain the services of our managing directors and other key professional employees, and strategically recruit and hire new talented employees, to obtain and successfully execute the advisory and asset management engagements that generate substantially all our revenue.

Lazard Group has experienced several significant events in recent years, including our unification under one global firm, the transition to new senior management and our pending transformation from a private to a public company, and our industry in general continues to experience change and competitive pressures for retaining top talent, each of which makes it more difficult for us to retain professionals. If any of our managing directors and other key professional employees were to join an existing competitor or form a competing company or otherwise leave us, some of our clients could choose to use the services of that competitor or some other competitor instead of our services. The employment arrangements, non-competition agreements and retention agreements we have entered into or intend to enter into with our managing directors and other key professional employees and restrictive covenants applicable to our LAM managing directors may not prevent our managing directors and other key professional employees from resigning from practice or competing against us. See “Management—Arrangements with Our Managing Directors.” As part of our transformation to a public company, we may face additional retention pressures as a result of reductions in payments for services rendered by our managing directors. As a result, we may not be able to retain these employees and, even if we can, we may not be able to retain them at compensation levels that will allow us to achieve our target ratio of compensation expense-to-operating revenue. In addition, any such arrangements and agreements will have a limited duration and will expire after a certain period of time.

46. The statement referenced above was materially false and misleading when issued because the defendants failed to disclose that Lazard knew that certain key employees, including its deputy Chairman in Europe – Gerardo Braggiotti – would leave Lazard as a result of the IPO. In fact, Mr. Braggiotti’s resignation would hurt the Company heavily as his division accounted for approximately one-fifth of Lazard’s global advisory revenue.

47. The Registration Statement/Prospectus was also misleading when issued because defendants failed to disclose the following material adverse facts:

(a) that to “create a market” and thereby manufacture an appearance that Lazard’s IPO was fairly and properly priced, Goldman arranged to sell millions of shares to hedge funds with side agreements that they could immediately “flip the shares” and that Goldman would immediately buy them back;

(b) that Goldman entered into side agreements whereby several hedge funds agreed to “*theoretically*” buy the shares in the IPO so that the IPO would be considered

“consummated” and Goldman could receive its underwriting fee, but again with the understanding the hedge funds could immediately sell the shares back to Goldman – without affecting their standing in future IPOs;

(c) that a *true* market for the IPO at a price of \$25 per share did not exist. In fact, the \$25 price was arrived at because it was dictated by defendant Wasserstein. If the IPO took place at any price below \$25 per share, defendant Wasserstein would not be able to fund the acquisition of David-Weill’s equity stake by only using the proceeds of the IPO. *Essentially, the \$25 IPO price was dictated by defendant Wasserstein’s agreement to buy David-Weill’s equity stake – nothing else! Defendants knew that a “market” above \$22 per share did not exist for Lazard stock. Instead of lowering the IPO price to about \$22 per share – a price level Goldman recommended because of weak demand and objective factors received through the indications of interest – Goldman decided to push for \$25 per share*, the minimum amount required to allow defendant Wasserstein to pay David-Weill;

(d) that the Registration Statement/Prospectus had failed to adequately and fully comply with S-K Item 505 which requires a prospectus to describe “the various factors considered in determining the offering price” when common shares without an established public trading market are being registered; and

(e) that, in violation of SEC regulations, the Registration Statement/Prospectus failed to disclose that Gerardo Braggiotti, the Company’s deputy Chairman in Europe and a major rainmaker of new business for the Company, who had only supported the IPO because of a promise (which was later reneged on) that he would be appointed as head of Lazard’s European operations, was likely to leave Lazard and/or cause turmoil within the organization as he opposed the IPO and opposed defendant Wasserstein’s purchase of David-Weill’s shares.

DEFENDANTS' SCHEME UNRAVELS

48. On May 23, 2005, a Form 4¹ was filed with the SEC reporting that between May 5, 2005 and May 6, 2005 Goldman purchased 2,417,500 shares of Lazard stock for between \$24 and \$25 per share.

49. Also on May 23, 2005, a Form 4² was filed with the SEC reporting that between May 6, 2005 and May 10, 2005 Goldman purchased 590,080 shares of Lazard stock for between \$22.89 and \$25 per share.

50. On May 29, 2005, an article entitled “Wasserstein’s Latest Coup: Trumping Goldman Sachs” appeared in *The New York Times*. The article stated in part:

Lazard’s offering went off the rails long before it began trading on the New York Stock Exchange under the symbol LAZ. Under pressure from Lazard to get the highest possible price, Goldman set the original range between \$25 and \$27 a share. That was probably a bit too high, and that mistake was compounded when the final price had to be determined. Instead of lowering it to about \$22 a share – a price point some bankers internationally championed because of weak demand – Goldman decided to push for \$25 a share, the minimum it had promised to Lazard and the amount required to allow Mr. Wasserstein to pay Mr. David-Weill.

While banks usually set the share price with input from their clients, this client was different: Lazard is an investment bank that had its own views.

To meet Lazard’s demands, Goldman sold many of the shares to hedge funds with quick trigger fingers. That meant the moment the stock began trading, thousands of shares flooded the market. Hoping to blunt the selloff, Goldman stepped in, as underwriters often do, to try to establish a floor for the stock by buying up the shares itself.

Thus, it was now clear why Goldman and Lazard deliberately overpriced the IPO.

¹ These Forms 4’s were filed more than 2 weeks late. Form 4’s are required to be filed within 48 hours after consummating a buy or sell.

² These Forms 4’s were filed more than 2 weeks late. Form 4’s are required to be filed within 48 hours after consummating a buy or sell.

- Lazard raised a gross total of \$855 million for net proceeds of \$811 million.
- Goldman reaped nearly \$43 million in underwriting proceeds for the IPO alone.
- Defendant Wasserstein, with the assistance of Goldman, raised the requisite funds for defendant Wasserstein to pay David-Weill for his interest in Lazard. It now trades on the New York Stock Exchange. Its shares are fungible. Moreover, Lazard received \$138 million more than it would have raised had the IPO taken place at \$22.00, which defendant Wasserstein used to make up for the differential in what was owed/promised to David-Weill.

COUNT I

Violation of Section 11 of the Securities Act (Against All Defendants)

51. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein. Plaintiff, for purposes of this claim, disclaims any allegations of fraud. This claim is brought on behalf of a Class of all purchasers of Lazard shares who purchased such shares pursuant to and/or traceable to the May 2005 Registration Statement/Prospectus and who were damaged thereby, seeking to pursue remedies under the Securities Act against Lazard, the issuer of the stock, and the Individual Defendants who were Lazard's directors and/or signatories of the Registration Statement/Prospectus for the May 2005 Offering. Lazard and the Individual Defendants signed the Registration Statement/Prospectus, which contained untrue statements of material fact or omitted to state facts required to be stated therein or necessary to make the statements therein not misleading, and are liable under §11(a)(1) and (2).

52. Each of the defendants named in this Count is liable under §11(a) because the Registration Statement/Prospectus, when it became effective, contained an untrue statement of material fact or omitted to state material facts required to be stated therein or necessary to make the statements therein not misleading.

53. Lazard went public on May 5, 2005 in an IPO pursuant to the Registration Statement/Prospectus filed and effective with the SEC, at \$25 per share, in which Lazard sold 34.18 million shares, raising over \$855 million in total gross proceeds.

54. Defendants Wasserstein, Golub, Ward, Lewis and Castellano each signed the Registration Statement/Prospectus. Because the Registration Statement/Prospectus contained untrue statements of material fact or omitted to state a material fact required to be stated therein or necessary to make the facts stated therein not misleading, each of these defendants is liable as “a person who signed the Registration Statement,” under §11(a)(1), 15 U.S.C. §77k(a)(1).

55. Defendants Wasserstein, Golub, Ward, Lewis and Castellano were directors of Lazard when the Registration Statement/Prospectus became effective. Because the Registration Statement/Prospectus contained untrue statements of material fact or omitted to state material facts required to be stated therein or necessary to make the facts stated therein not misleading, each of these defendants is liable as a director under §11(a)(2), 15 U.S.C. §77k(a)(2).

56. Defendant Goldman was an underwriter, as that term is used in Section 11(a)(5) of the Securities Act, with respect to the shares sold in the IPO through the Registration Statement/Prospectus. Defendant Goldman was required to investigate with due diligence the representations contained therein to confirm that they did not contain materially misleading statements or omit to state material facts. Defendant Goldman did not make a reasonable investigation or possess reasonable grounds for the belief that the statements described herein, which were contained in the Registration Statement and Prospectus, were true, were without omission of any material facts, and/or were not misleading.

57. Plaintiff and other members of the Class purchased shares of Lazard pursuant to and traceable to the stock offering without knowledge of the untruths or omissions alleged herein, and

sustained damages as a result. Plaintiff and the other members of the Class could not have reasonably discovered the nature of defendants' untruths and omissions prior to their purchases.

58. This action was brought within one year after the discovery of the untrue statements and omissions and less than three years after the stock offering.

COUNT II

Violations of Section 12(a)(2) of the Securities Act (Against All Defendants)

59. Plaintiff repeats and realleges each and every allegation contained above.

60. This Count is brought pursuant to Section 12(a)(2) of the Securities Act on behalf of the Class, against all defendants.

61. Defendants were sellers and offerors and/or solicitors of purchasers of the shares offered pursuant to the Registration Statement/Prospectus.

62. The Registration Statement/Prospectus contained untrue statements of material facts, omitted to state other facts necessary to make the statements made not misleading, and concealed and failed to disclose material facts. The Individual Defendants' actions of solicitation included participating in the preparation of the false and misleading Registration Statement/Prospectus.

63. Defendants owed to the purchasers of Lazard shares, including plaintiff and other class members, the duty to make a reasonable and diligent investigation of the statements contained in the IPO materials, including the Registration Statement/Prospectus contained therein, to ensure that such statements were true and that there was no omission to state a material fact required to be stated in order to make the statements contained therein not misleading. Defendants knew of, or in the exercise of reasonable care should have known of, the misstatements and omissions contained in the IPO materials as set forth above.

64. Plaintiff and other members of the Class purchased or otherwise acquired Lazard shares pursuant to and/or traceable to the defective Registration Statement/Prospectus. Plaintiff did not know, or in the exercise of reasonable diligence could not have known, of the untruths and omissions contained in the Registration Statement/Prospectus.

65. Plaintiff, individually and representatively, hereby offers to tender to defendants those securities which plaintiff and other Class members continue to own, on behalf of all members of the Class who continue to own such securities, in return for the consideration paid for those securities together with interest thereon. Class members who have sold their Lazard shares are entitled to rescissory damages.

66. By reason of the conduct alleged herein, these defendants violated, and/or controlled a person who violated, §12(a)(2) of the Securities Act. Accordingly, plaintiff and members of the Class who hold Lazard shares purchased in the IPO have the right to rescind and recover the consideration paid for their Lazard shares and hereby elect to rescind and tender their Lazard shares to the defendants sued herein. Plaintiff and Class members who have sold their Lazard shares are entitled to rescissory damages.

COUNT III

Violation of Section 15 of the Securities Act (Against Defendant Wasserstein)

67. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein. Defendant Wasserstein, by reason of his position with Lazard and stock ownership, was a controlling person of Lazard and is liable under §15 of the Securities Act.

COUNT IV

Violation of Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder (Against All Defendants)

68. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

69. During the Class Period, defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including plaintiff and other Class members, as alleged herein; (ii) enable Lazard to raise \$855 million in its IPO; and (iii) cause plaintiff and other members of the Class to purchase Lazard publicly traded securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, defendants, and each of them, took the actions set forth herein.

70. Defendants: (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements made not misleading; and (c) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's publicly traded securities in an effort to maintain artificially high market prices for Lazard publicly traded securities in violation of §10(b) of the Exchange Act and Rule 10b-5. All defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

71. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the business, operations and future prospects of Lazard as specified herein and also engaged in an improper manipulation of Lazard shares.

72. These defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of Lazard's value and performance and continued substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts and omitting to state material facts necessary in order to make the statements made about Lazard and its business operations and future prospects in the light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of Lazard publicly traded securities during the Class Period.

73. Each of the Individual Defendants' primary liability, and controlling person liability, arises from the following facts: (i) the Individual Defendants were high-level executives and/or directors at the Company during the Class Period and members of the Company's management team or had control thereof; (ii) each of these defendants, by virtue of his/her responsibilities and activities as a senior officer and/or director of the Company, was privy to and participated in the creation, development and reporting of the Company's internal budgets, plans, projections and/or reports; (iii) each of these defendants enjoyed significant personal contact and familiarity with the other defendants and was advised of and had access to other members of the Company's management team, internal reports and other data and information about the Company's finances, operations, and sales at all relevant times; and (iv) each of these defendants was aware of the dissemination of information about the Company to the investing public which they knew or recklessly disregarded was materially false and misleading.

74. The defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to

ascertain and to disclose such facts, even though such facts were available to them. Such defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing Lazard's operating condition and future business prospects from the investing public and supporting the artificially inflated price of its securities. As demonstrated by defendants' overstatements and misstatements of the Company's business, operations and earnings throughout the Class Period, defendants, if they did not have actual knowledge of the misrepresentations and omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

75. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market prices of Lazard's publicly traded securities were artificially inflated during the Class Period. In ignorance of the fact that the market prices of Lazard's publicly traded securities were artificially inflated, and relying directly or indirectly on the false and misleading statements made by defendants, or upon the integrity of the market in which the securities trade, and/or on the absence of material adverse information that was known to or recklessly disregarded by defendants but not disclosed in public statements by defendants during the Class Period, plaintiff and the other members of the Class acquired Lazard publicly traded securities during the Class Period at artificially high prices and were damaged thereby.

76. At the time of said misrepresentations and omissions, plaintiff and other members of the Class were ignorant of their falsity, and believed them to be true. Had plaintiff and the other members of the Class and the marketplace known the truth regarding the problems that Lazard was experiencing, which was not disclosed by defendants, plaintiff and other members of the Class

would not have purchased their Lazard publicly traded securities, or, if they had acquired such securities during the Class Period, they would not have done so at the artificially inflated prices which they paid.

77. By virtue of the foregoing, defendants have violated §10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder.

78. As a direct and proximate result of defendants' wrongful conduct, plaintiff and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's publicly traded securities during the Class Period.

COUNT V

Violation of Section 20(a) of the Exchange Act (Against Defendant Wasserstein)

79. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

80. Defendant Wasserstein acted as a controlling person of Lazard within the meaning of §20(a) of the Exchange Act as alleged herein. By virtue of his high-level position, and his ownership and contractual rights, participation in and/or awareness of the Company's operations and/or intimate knowledge of the false statements filed by the Company with the SEC and disseminated to the investing public, Defendant Wasserstein had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which plaintiff contends are false and misleading. Defendant Wasserstein was provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

81. In particular, defendant Wasserstein had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same. Lazard controlled defendant Wasserstein and all of its employees.

82. As set forth above, defendants each violated §10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of his position as a controlling person, defendant Wasserstein is liable pursuant to §20(a) of the Exchange Act. As a direct and proximate result of defendant's wrongful conduct, plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's publicly traded securities during the Class Period.

PRAYER FOR RELIEF

WHEREFORE, plaintiff prays for relief and judgment, as follows:

- A. Determining that this action is a proper class action and certifying plaintiff as a Class representative under Rule 23 of the Federal Rules of Civil Procedure;
- B. Awarding compensatory damages in favor of plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;
- C. Awarding plaintiff and the Class rescission on Count II to the extent they still hold Lazard shares, or if sold, awarding rescissory damages in accordance with Section 12(a)(2) of the Securities Act;
- D. Awarding plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and
- E. Such equitable/injunctive or other relief as deemed appropriate by the Court.

JURY DEMAND

Plaintiff hereby demands a trial by jury.

DATED: June 16, 2005

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