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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

SEC FILE NUMBER
8-66861

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING January 1, 2011 AND ENDING December 31, 2011
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER - DEALER:

Lazard Capital Markets LLC
(A Wholly-owned Subsidiary of LFCM Holdings LLC)
(Filed as Confidential Information)

OFFICIAL USE ONLY
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

30 Rockefeller Plaza
(No. and Street)

New York New York 10020
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

William Rosenberg 212-632-2689
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

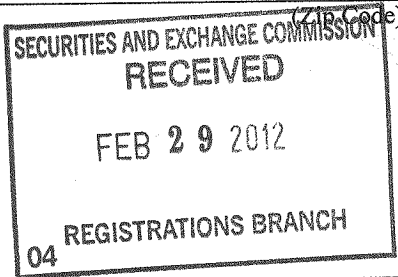
Deloitte & Touche LLP

(Name - if individual, state last, first, middle name)

Two World Financial Center New York New York 10281-1414
(Address) (City) (State) (Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.



FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2) SEC 1410(6-02).

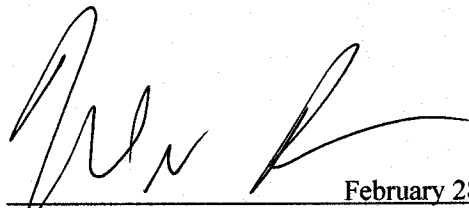
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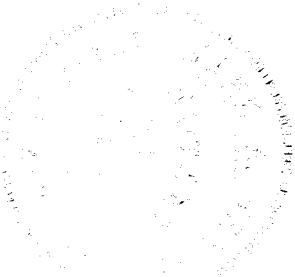
AFFIRMATION

I, William Rosenberg, affirm that, to the best of my knowledge and belief, the accompanying consolidated financial statements and unconsolidated supplemental schedules pertaining to Lazard Capital Markets LLC and subsidiary (the "Company"), for the year ended December 31, 2011, are true and correct. I further affirm that neither the Company nor any officer or director has any proprietary interest in any account classified solely as that of a customer.

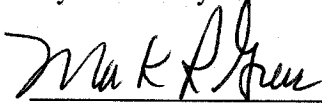


February 28, 2012

William Rosenberg Date
Chief Financial & Operating Officer



Subscribed and sworn
to before me this 28th
day of February 2012



Notary Public

Mark R. Grewe
Notary Public, State of New York
No. 02GR6192589
Qualified in New York County
Commission Expires 9/2/2012

LAZARD CAPITAL MARKETS LLC
(A WHOLLY-OWNED SUBSIDIARY OF LFCM HOLDINGS LLC)
(S.E.C. I.D. No. 8-66861)

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
AS OF DECEMBER 31, 2011
AND INDEPENDENT AUDITORS' REPORT
AND
SUPPLEMENTAL REPORT ON INTERNAL CONTROL

Filed pursuant to Rule 17a-5(e)(3)
under the Securities Exchange Act of 1934
as a PUBLIC DOCUMENT.

INDEPENDENT AUDITORS' REPORT

To the Member of Lazard Capital Markets LLC:

We have audited the accompanying consolidated statement of financial condition of Lazard Capital Markets LLC and subsidiary (the "Company") as of December 31, 2011, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. This consolidated financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this consolidated financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated statement of financial condition presents fairly, in all material respects, the financial position of Lazard Capital Markets LLC and subsidiary at December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

February 28, 2012

LAZARD CAPITAL MARKETS LLC

(A Wholly-owned Subsidiary of LFCM Holdings LLC)

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2011

(Dollars In Thousands)

ASSETS

Cash	\$	17,197
Cash and securities segregated for regulatory purposes		89,368
Deposits with clearing organizations		6,779
Securities borrowed		199,055
Securities owned, at fair value		113,027
Receivable from customers (net of allowance of \$163)		15,107
Receivable from broker-dealers and clearing organizations		1,170
Furniture, equipment and leasehold improvements - net		1,921
Other assets		7,597
TOTAL ASSETS	\$	451,221

LIABILITIES AND MEMBER'S EQUITY

Securities loaned	\$	156,039
Securities sold, but not yet purchased, at fair value		21,309
Payable to customers		118,546
Payable to broker-dealers and clearing organizations		15,212
Other liabilities		39,408
TOTAL LIABILITIES		350,514
Commitments and contingencies (Note 12)		
Member's equity		100,707
TOTAL LIABILITIES AND MEMBER'S EQUITY	\$	451,221

See notes to consolidated statement of financial condition.

LAZARD CAPITAL MARKETS LLC
(A Wholly-owned Subsidiary of LFCM Holdings LLC)
NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
AS OF DECEMBER 31, 2011
(Dollars In Thousands)

1. ORGANIZATION

Lazard Capital Markets LLC (the “Company”) is a Delaware limited liability company. The Company is a broker-dealer registered with the Securities and Exchange Commission (“SEC”) and the Financial Industry Regulatory Authority (“FINRA”). The Company wholly-owns a United Kingdom (“UK”) holding company subsidiary, LCM Holdings 2008 Limited (“LCMH 2008 Ltd”), which in turn wholly owns its regulated subsidiary, Lazard Capital Markets International Limited (“LCM International Ltd”), a UK investment advisory firm, regulated by the UK’s Financial Services Authority (“FSA”). The Company is wholly-owned by LFCM Holdings LLC, a Delaware limited liability company (the “Member” or “LFCM Holdings”). Services provided by the Company include securities brokerage, trading, underwriting, securities clearance and settlement services.

On May 10, 2005, Lazard Group LLC, a Delaware limited liability company that was previously named Lazard LLC (“Lazard Group”), effected a restructuring of its businesses and, as a part of such restructuring, transferred certain of its businesses to LFCM Holdings LLC (the “Separation”). The Separation was effected pursuant to a master separation agreement by and among Lazard Ltd (“Lazard Ltd”), a Bermuda company and the parent company of Lazard Group, LAZ-MD Holdings LLC (“LAZ-MD Holdings”), a Delaware limited liability company that holds an interest in Lazard Group and in order to effect the Separation, held an interest in LFCM Holdings. In accordance with the provisions of such master separation agreement and through a series of transactions, the capital markets-related assets and liabilities of Lazard Frères & Co. LLC (“LF&Co.”), a New York limited liability company and a wholly-owned subsidiary of Lazard Group, were transferred to the Company on May 10, 2005, at which time the Company commenced its business activities. After these transfers and contributions, Lazard Group distributed all of its limited liability company interests in LFCM Holdings to LAZ-MD Holdings, which then distributed all such interests to members of LAZ-MD Holdings, who consist of the then current and certain former managing directors of the businesses of Lazard Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The consolidated statement of financial condition is presented in U.S. dollars and is prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which includes industry practice.

Use of Estimates – The preparation of the consolidated statement of financial condition in conformity with U.S. GAAP requires management to make estimates and assumptions regarding certain trading inventory valuations, compensation liabilities, litigation and other matters that affect the reported amounts of assets and liabilities at the date of the consolidated statement of financial condition and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

Cash and Securities Segregated For Regulatory Purposes – At December 31, 2011, cash of \$88,771 was deposited in a special reserve account for the exclusive benefit of customers pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934. There were no securities segregated for regulatory purposes at December 31, 2011.

The Company follows the guidance prescribed in the SEC No-Action Letter regarding Proprietary Accounts of Introducing Brokers and Dealers, dated November 3, 1998, including all supplemental interpretations thereunder (the "Letter"), which allows an introducing broker-dealer to include assets in their proprietary account maintained by the Company as an allowable asset in their net capital computation, provided the Company establishes a separate reserve account for such assets in accordance with Rule 15c3-3 and both parties enter into a written agreement in accordance with the Letter setting forth their mutual understanding that such an account constitutes a "proprietary account of an introducing broker" ("PAIB").

At December 31, 2011, \$597 in cash has been segregated in special reserve accounts for the exclusive benefit of PAIBs.

Securities Owned and Securities Sold, But Not Yet Purchased – Securities owned and securities sold, but not yet purchased are stated at quoted market values. Securities transactions and the related revenues and expenses are recorded on a trade date basis.

Securities Borrowed and Securities Loaned – Securities borrowed and securities loaned are recorded based upon the amount of cash collateral advanced or received. Securities borrowed transactions facilitate the settlement process and require the Company to deposit cash or other collateral with the lender. With respect to securities loaned, the Company receives collateral in the form of cash. The amount of collateral required to be deposited for securities borrowed, or received for securities loaned, is an amount generally in excess of the market value of the applicable securities borrowed or loaned. The Company monitors the market value of securities borrowed and loaned, with additional collateral obtained, or excess collateral recalled, when deemed appropriate. A substantial portion of the Company's interest revenue and interest expense results from these activities.

Collateral – The Company accepts and pledges collateral in secured financing and securities borrowing and lending transactions. Agreements covering these transactions may permit the secured party to sell or repledge the collateral. The Company monitors the risk of loss by assessing the market value of the collateral accepted or pledged as compared with the related receivable, payable or other collateral exchanged and requests additional collateral where deemed appropriate.

Collateral accepted under securities lending agreements and margin loans is used to cover short positions, to enter into secured financing transactions and to satisfy reserve requirements under SEC Rule 15c3-3. At December 31, 2011, the market value of collateral accepted in securities borrowed transactions and for customer margin loans was \$191,165, and \$20,560, respectively, of which \$164,463 was sold or repledged.

Receivable from and Payable to Customers – Customer securities transactions are recorded on a settlement date basis with the related commissions recorded on a trade date basis. Receivable from and payable to customers include amounts due on cash and margin transactions. These receivables and payables are short-term in nature, and accordingly, their carrying amount is a reasonable estimate of fair value. The Company maintains an allowance for bad debts to provide for estimated losses relating to receivable from customers. The Company determines the adequacy of the allowance by estimating the probability of loss based on management's analysis of the client's creditworthiness and specifically reserves against exposures where the Company determines the receivables may be impaired.

Receivable from and Payable to Broker-Dealers and Clearing Organizations – Receivable from broker-dealers and clearing organizations primarily consists of underwriting receivables and securities failed to deliver. Payable to broker-dealers and clearing organizations primarily consist of securities failed to receive, underwriting payables to co-managers, and underwriting payables to a related party. Receivable

from and payable to broker-dealers and clearing organizations are short-term in nature, and accordingly, their carrying amount is a reasonable estimate of fair value.

Furniture, equipment and leasehold improvements – net – Furniture, equipment and leasehold improvements are stated at cost, less accumulated depreciation and amortization. Leasehold improvements are capitalized and are amortized on a straight-line basis over the lesser of the economic useful life of the improvement or the term of the lease, which generally range between 3 and 10 years. Depreciation of furniture and equipment including computer hardware and software is determined on a straight-line basis using estimated useful lives, generally between 3 to 7 years.

Other Liabilities – Other liabilities primarily include accrued compensation.

Legal Reserves – The Company estimates potential losses that may arise out of legal and regulatory proceedings in accordance with ASC 450, *Contingencies*. The Company recognizes related legal reserves in other liabilities in the consolidated statement of financial condition.

Taxation – The Company is deemed to be a single-member disregarded entity for federal and state income taxes. Accordingly, no federal and state tax provision (benefit) has been made in this financial statement with respect to the Company's earnings (losses), which are taxable to its Member, except with regard to its foreign subsidiary that is taxed in the country in which it operates. The Company evaluates uncertain tax positions in accordance with ASC 740, *Income Taxes*.

Liability Awards – Pursuant to the Company's Amended and Restated Phantom Equity Incentive Plan (the "Amended and Restated Phantom Equity Incentive Plan"), (described in more detail in Note 10 of notes in the consolidated statement of financial condition), liability-based awards that do not require future service are expensed immediately. Liability-based awards that require future service are amortized over the requisite service period and are accounted for in accordance with ASC 718, *Compensation – Stock Compensation*.

Revenue Recognition

Commissions – Commissions charged for executing customer transactions are accrued on a trade date basis.

Underwriting Fees – The Company generates revenue from providing underwriting services to clients. The Company recognizes revenue on these transactions when the following criteria are met:

- The issuer's registration statement has become effective with the SEC, or other offering documents are finalized,
- The Company has made a firm commitment for the purchase of the shares or debt of the issuer,
- The Company has been informed of the exact number of shares or the principal amount of debt that it has been allotted.

Generally, underwriting fees are recorded at the time the underwriting is completed and the income is reasonably determinable and represents fees earned, net of estimated transaction related expenses including finders fee, if any, on primary offerings of debt and equity securities. Transaction related expenses, which are directly related to such transactions and billable to clients, are deferred to match revenue recognition. Such amounts are adjusted to reflect actual expenses in the period in which the Company receives the final settlement, typically within 90 days following the closing of the transaction. Private placement fees, including warrants received in certain private placement transactions, are recorded on the closing date of the placement. Expenses associated with these transactions are recognized, net of client reimbursements, when the related revenue is recognized or the engagement is otherwise concluded.

Principal Transactions – Principal transactions revenue includes net trading gains and losses from the Company’s market-making activities in over-the-counter common equity securities and convertible securities, commitment of capital to facilitate customer trades for listed stocks, and from proprietary trading activities. In certain cases, the Company provides liquidity to clients buying or selling blocks of shares without previously identifying the other side of the trade at execution which subjects the Company to market risk. These positions are typically held for a very short duration. Changes in the fair value (i.e., unrealized gains and losses) of securities owned and securities sold, but not yet purchased are recognized in principal transactions in the current period. Realized gains and losses are recorded on a trade date basis.

3. RECENTLY ISSUED ACCOUNTING STANDARDS

Improving Disclosure about Fair Value Measurement (ASC 820) – On January 1, 2011, the Company adopted Accounting Standards Update (“ASU”) No. 2010-06 on the fair value measurement disclosure guidance regarding presenting purchases, sales, issuances and settlements on a gross basis in the roll forward of activities in Level 3 of the hierarchy of fair value measurements, which did not have a material impact on the Company’s consolidated statement of financial condition.

Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses (ASC 310) – In July 2010, the FASB issued ASU No. 2010-20. This update provides amendments to ASC 310, *Receivables*, that revises existing disclosure requirements and also requires additional disclosures in order to facilitate financial statement users evaluation of an entity’s credit risk exposure of its financing receivables and adequacy of its allowance for credit losses, including (1) the nature of credit risks inherent in an entity’s portfolio of financing receivables, (2) how such risks are analyzed and assessed in arriving at an entity’s allowance for credit losses, and (3) changes and reasons for such changes in allowance for credit losses. For nonpublic entities, the disclosures are effective for annual reporting periods ending on or after December 15, 2011. The Company does not anticipate that the adoption of the amendments will have a material impact on its consolidated statement of financial condition.

Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs (ASC 820) – In May 2011, the FASB issued ASU No. 2011-04. This update amended the fair value measurement guidance, which was designed to achieve common fair value measurement and disclosure requirements between U.S. GAAP and International Financial Reporting Standards (“IFRS”). Although many of the changes for U.S. GAAP purposes are clarifications of existing guidance or wording changes to align with IFRS, additional disclosures about fair value measurements would be required, for nonpublic entities, including (1) a quantitative disclosure of the unobservable inputs and assumptions used in the measurement, and (2) a description of the valuation processes used by the Company related to investments categorized within Level 3 of the hierarchy of fair value measurements. The amended fair value measurement guidance is effective for annual periods beginning after December 15, 2011. The Company does not anticipate that the adoption of the amended fair value measurement guidance will have a material impact on the Company’s consolidated statement of financial condition.

4. RELATED PARTY TRANSACTIONS

In connection with the Separation, LFCM Holdings and its subsidiaries (including the Company) entered into several agreements in addition to the master separation agreement that regulate its relationships with Lazard Ltd, Lazard Group and LAZ-MD Holdings. Under these agreements, the Company is entitled to receive a share of the revenue on transactions referred to Lazard Group and is obligated to share revenues on transactions referred to the Company. Also incorporated under these agreements are non-compete arrangements. At December 31, 2011, the total amount payable was \$693, and is included in payable to broker-dealers and clearing organizations in the consolidated statement of financial condition.

Pursuant to an administrative services agreement by and among Lazard Group, LAZ-MD Holdings and LFCM Holdings, Lazard Group provides to LFCM Holdings and its subsidiaries (including the Company), and LFCM Holdings and its subsidiaries (including the Company) provide to Lazard Group, certain administrative and support services; charges for such services are based primarily on a cost allocation methodology. The total amount payable was \$136 and is included in other liabilities in the consolidated statement of financial condition. In addition, LFCM Holdings determined it is in the best interest of the Company for the Company and Lazard Group, to share certain expenses of the Company and Lazard Group relating to the Company's underwriting and distribution business. At December 31, 2011 the total amount payable was \$8,389 and is included in other liabilities in the consolidated statement of financial condition.

The Company reimburses LF&Co. a portion of the compensation of a managing director of LF&Co., who is also the Chairman of LFCM Holdings for services rendered as its chairman.

Pursuant to a license agreement by and among LF&Co. and certain of its affiliates and LFCM Holdings, in general, LFCM Holdings is permitted to use the "Lazard" name to the extent that this name was used by Lazard Group's businesses that were transferred to LFCM Holdings prior to the Separation. In consideration for this license, LFCM Holdings is currently obligated to pay the licensors an annual fee, in advance, by no later than January 15th of each year.

The business alliance agreement also provides that Lazard Asset Management Securities LLC, a Delaware limited liability company ("LAM Securities"), and a wholly-owned subsidiary of LF&Co., will introduce execution and settlement transactions to the Company. In accordance with such arrangement, the Company and LAM Securities have entered into a clearing agreement pursuant to which the Company carries and clears brokerage transactions for LAM Securities' customers on a fully disclosed basis. The Company provides clearance and other related services to LAM Securities on a charge per trade basis.

Lazard Alternative Investments LLC ("LAI") is a subsidiary of LFCM Holdings. At December 31, 2011, the Company had a receivable of \$150 relating to the Post-Retirement Medical Benefits Plan (see Note 10) which is included in other assets on the consolidated statement of financial condition. The Company also reimburses LAI for a portion of the compensation of certain employees who performed administrative and legal functions for both entities.

Pursuant to a PAIB agreement with LF&Co., the Company custodies cash and securities to facilitate various operational transactions. At December 31, 2011, the payable to LF&Co. was \$723, and is included in payable to broker-dealers and clearing organizations in the consolidated statement of financial condition.

The Company leases office space in various locations under agreements with LF&Co and Lazard Group (see Note 12).

The Company does not file New York City Unincorporated Business Tax ("UBT") as it is included in the Member's filing. There was no amount due or paid by the Member for UBT as of December 31, 2011. Therefore, the Member did not allocate UBT to the Company.

5. RECEIVABLE FROM AND PAYABLE TO BROKER-DEALERS AND CLEARING ORGANIZATIONS

At December 31, 2011, amounts receivable from and payable to broker-dealers and clearing organizations included:

RECEIVABLE:

Securities failed to deliver	\$ 101
Underwriting	<u>1,069</u>
	<u>\$ 1,170</u>

PAYABLE:

Securities failed to receive	\$ 12,524
Related party	1,416
Underwriting	<u>1,272</u>
	<u>\$ 15,212</u>

6. FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS – NET

At December 31, 2011, furniture, equipment and leasehold improvements – net consists of the following:

Leasehold improvements	\$ 3,677
Furniture and equipment	<u>3,805</u>
Total	7,482
Less - Accumulated depreciation and amortization	<u>5,561</u>
Furniture, equipment and leasehold improvements - net	<u>\$ 1,921</u>

7. FAIR VALUE MEASUREMENTS

Substantially all of the Company's assets and liabilities are carried at fair value or contracted amounts, which approximate fair value.

Securities owned and securities sold, but not yet purchased, are carried at fair value which is generally based on quoted market prices. If quoted market prices are not available fair value is determined based on other relevant factors, including dealer price quotations, price activity for equivalent securities and valuation pricing models.

Assets, which are recorded at contracted amounts approximating fair value, consist largely of short-term collateralized receivables, including securities borrowed and certain other receivables. Similarly, the Company's short-term liabilities pursuant to securities loaned and certain other payables are recorded at contracted amounts approximating fair value. These instruments generally have variable interest rates and short-term maturities, in many cases overnight, and accordingly, are not materially affected by changes in interest rates.

In accordance with ASC 820, *Fair Value Measurements and Disclosures*, the Company categorizes its securities owned and securities sold, but not yet purchased recorded at fair value into a three-level fair value hierarchy as follows:

- Level 1.* Assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Company has the ability to access. The types of instruments valued based on quoted market prices in active markets include most U.S. government and agency securities, many other sovereign government obligations, active listed equities, and most money market securities.
- Level 2.* Assets and liabilities whose values are based on quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in non-active markets or inputs other than quoted prices that are directly observable or derived principally from or corroborated by market data. The types of instruments valued based on quoted prices in markets that are not active, broker or dealer quotations, or alternative pricing sources with reasonable levels of transparency include most investment-grade and high-yield corporate bonds, less liquid listed equities and municipal obligations.
- Level 3.* Assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability. These types of instruments typically trade infrequently and have little or no price transparency. For positions that are not traded in active markets or are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or non-transferability, and such adjustments are generally based on available market evidence. The Company's Level 3 assets and liabilities primarily relate to the restricted use of an asset or liability and are typically subject to transfer restrictions.

The following table presents the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2011.

<u>Fair Value Measurements on a Recurring Basis</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Securities owned:				
Money market instruments	\$ 63,889	\$ -	\$ -	\$ 63,889
Equities	26,639	12,233	500	39,372
Corporate debt	4,699	5,067	-	9,766
Total Assets	<u>\$ 95,227</u>	<u>\$ 17,300</u>	<u>\$ 500</u>	<u>\$ 113,027</u>
Liabilities:				
Securities sold, but not yet purchased:				
Equities	\$ 19,940	\$ 1,346	\$ -	\$ 21,286
Corporate debt	-	23	-	23
Total Liabilities	<u>\$ 19,940</u>	<u>\$ 1,369</u>	<u>\$ -</u>	<u>\$ 21,309</u>

8. OTHER LIABILITIES

At December 31, 2011, other liabilities consisted of the following:

Accrued compensation	\$ 20,113
Related party	9,396
Post-Retirement Medical Benefit Plan	2,399
Other	7,500
	<u>\$ 39,408</u>

9. TRADING ACTIVITIES AND RELATED RISK

The Company's trading activities include providing securities brokerage and underwriting services. Trading activities are primarily related to proprietary positions taken by the Company based on expectations of future market movements and conditions as well as to facilitate client order flow.

Market Risk – Market risk is the potential that a security's value could change by fluctuations in interest rates, currency rates, equity price and credit spreads. The level of market risk is influenced by the volatility and the liquidity in the markets in which financial instruments are traded. The Company seeks to mitigate market risk associated with trading inventories by employing hedging strategies that correlate rate, price, and spread movements of trading inventories and related financing and hedging activities. The following discussion describes the types of market risk faced by the Company:

Interest Rate Risk – Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments, primarily the Company's securities owned and securities sold, but not yet purchased.

Currency Risk – Currency risk arises from the possibility that fluctuations in foreign exchange rates will impact the value of financial instruments.

Equity Price Risk – Equity price risk arises from the possibility that equity security prices will fluctuate, affecting the value of equity securities. The Company is subject to equity price risk primarily in securities owned and securities sold, but not yet purchased.

Credit Risk – The Company is exposed to the risk of loss if an issuer or counterparty fails to perform its obligations under contractual terms and the collateral held, if any, is deemed insufficient or worthless. The Company has established policies and procedures for mitigating credit risk on principal transactions, including establishing and reviewing limits for credit exposure, maintaining collateral and continually assessing the creditworthiness of counterparties.

In the normal course of business, the Company executes, settles, and finances various customer securities transactions. Execution of securities transactions includes the purchase and sale of securities by the Company, which may expose the Company to default risk arising from the potential that customers or counterparties may fail to satisfy their obligations. In these situations, the Company may be required to purchase or sell financial instruments at unfavorable market prices to satisfy obligations to other customers or counterparties. The Company seeks to control the risks associated with its customer margin activities by requiring customers to maintain collateral in compliance with regulatory and internal guidelines.

Liabilities to other brokers and dealers related to unsettled transactions (i.e., securities failed-to-receive) are recorded at the amount for which the securities were acquired and are paid upon receipt of the securities from other brokers or dealers. In the case of aged securities failed-to-receive, the Company may purchase the underlying security in the market and seek reimbursement for losses from the counterparty.

Concentrations of Credit Risk – The Company’s exposure to credit risk associated with its trading and other activities is measured on an individual counterparty basis, as well as by groups of counterparties that share similar attributes. To reduce the potential for risk concentration, credit limits are established and monitored in light of changing counterparty and market conditions.

At December 31, 2011, the Company’s most significant concentration of credit risk was with a financial institution that acts as custodian for various money market mutual funds held by the Company and its customers. This concentration consists of both direct and indirect credit risk exposure. Direct exposure primarily results from a possible diversion from the Net Asset Value (“NAV”) of one dollar, which is typical of the majority of money market mutual funds registered under Rule 2(a)(7) of the SEC Investment Company Act of 1940. The Company’s indirect exposure results from fluctuations in the value of the securities owned by the money market mutual funds, to which the Company has limited control. The Company believes its exposure to these funds to be minimal, and continuously monitors the composition and risk associated with these instruments.

Off-Balance Sheet Risks – The Company may be exposed to a risk of loss not reflected on the consolidated statement of financial condition for securities sold, but not yet purchased, should the value of such securities rise.

For transactions in which the Company extends credit to others, the Company seeks to control the risks associated with these activities by requiring the counterparty to maintain margin collateral in compliance with various regulatory and internal guidelines. Counterparties include customers who are generally institutional investors and brokers and dealers that are members of major exchanges. The Company

monitors required margin levels daily and, pursuant to such guidelines, requests counterparties to deposit additional collateral or reduce securities positions when necessary.

It is the Company's policy to take possession of securities borrowed. The Company monitors the market value of the assets acquired to ensure their adequacy as compared to the amount at which the securities will be subsequently returned, as specified in the respective agreements. The agreements provide that, where appropriate, the Company may require the delivery of additional collateral. In connection with securities loaned, the Company monitors the market value of assets delivered to ensure that the collateral value is not excessive as compared to the amount at which securities will be subsequently recalled.

10. EMPLOYEE BENEFIT PLANS

The Company provides certain retirement and other post-employment benefits to certain of its employees through defined contribution and other post-retirement benefit plans. The Company has the right to amend or terminate its benefit plans at any time subject to the terms of such plans.

Post-Retirement Medical Benefit Plan

Effective August 1, 2005, the Company established a Post-Retirement Medical ("PRM") program for certain employees of the Company. An employee will participate only to the extent they meet the eligibility requirements set out in the program other than certain eligible employees that were "grandfathered" into, and remained in, LF&Co.'s PRM program. The Company has recorded a liability in the amount of \$2,399 for its obligation and the obligation of LAI (see Note 4) under the PRM. This amount is included in other liabilities in the consolidated statement of financial condition. The Medical Plan pays stated percentages of most necessary medical expenses incurred by retirees, after subtracting payments by Medicare or other providers and after stated deductibles have been met. Participants become eligible for benefits if they retire from the Company after reaching age 62 and completing 10 years of service.

The following table summarizes the funded status at December 31, 2011:

Funded Status	
Benefit obligation at December 31, 2011	\$ (2,399)
Fair value of plan assets at year end	-
Net amount recognized in the consolidated statement of financial condition	<u>\$ (2,399)</u>

There are no plan assets invested in this plan. In addition, there have been no employer contributions for the period January 1, 2011 to December 31, 2011.

Weighted-Average Assumptions Used to Determine Benefit Obligations at December 31, 2011:

Discount rate	4.34%
Rate of compensation increase	N/A
Healthcare cost trend rates:	
Initial	8.0%
Ultimate	6.0%
Fiscal year ultimate trend rate achieved	2016

Expected Benefit Payments During Years Ending

2012	\$	63
2013		94
2014		118
2015		117
2016		128
2017 - 2021		585

Measurement Date – The measurement date for the Company’s PRM plan was December 31, 2011.

Defined Contribution Plan

The Defined Contribution Plan (the “401(k) Plan”) for employees, which was established under the LF&Co. plan until December 31, 2005, had an employer match to participant pre-tax contributions. A separate defined contribution plan was established for the Company on January 1, 2006. The Company may match 100% of pre-tax employee contributions to the 401(k) Plan, excluding catch up contributions, up to 4% of eligible compensation. Participants will be 100% vested in all employer-matching contributions after three years of service (with full credit of prior service with Lazard Group).

Amended and Restated Phantom Equity Incentive Plan

The Board of the Member of the Company (“the Board”) adopted the Phantom Equity Incentive Plan, effective January 1, 2008, and amended and restated such plan effective as of July 15, 2010. The Amended and Restated Phantom Equity Incentive Plan provides that the Board may award select officers and employees of the Company interests in an aggregate amount (the “total plan payout amount”) equal to 50% of the appreciation in value of the Company’s equity at the time of certain future events from the net book value of the Company on December 31, 2006, as adjusted for certain expenses incurred by the Company that are identified in the Amended and Restated Phantom Equity Incentive Plan. The interests are expected to be awarded to select officers and employees at the end of, or shortly after the end of each fiscal year, and unless otherwise determined by the Board, will cliff-vest based on service as follows: 25% of units upon the first anniversary of the grant date, 25% upon the second year anniversary of the grant date, and 50% upon the third year anniversary of the grant date. There is no limit to the number of interests that may be granted under the plan, and forfeited interests can be reissued to other participants as designated by the Board. It is expected that each year’s interests will have an appreciation base, which will be the amount above which an interest will be entitled to participate in the appreciation. The appreciation base for each interest is determined in the sole discretion of the Board, and may be reduced to an amount no less than the adjusted December 31, 2006 net book value of the Company by the Board after such interest is awarded. The appreciation base for an interest is generally expected to be the Company’s net book value at December 31 of the year immediately preceding the year to which the award relates, adjusted so that any compensation expense relating to awards under the Plan is not taken into account. The Board has the power to change the method for allocating the total plan payout amount among the participants in the plan. Subject to the approval of the Board, the Company has the power, but is not required, to repurchase interests held by a participant whose employment with the Company terminates. If any interests are repurchased, such interests will be cancelled and the total plan payout amount available to the remaining participants in the Amended and Restated Phantom Equity Incentive Plan will be decreased by 50% of the amount of the payments made to repurchase such interests plus 5% simple interest on such amounts.

11. BORROWINGS AND INDEBTEDNESS

The Company can borrow up to \$60,000 of subordinated debt under two revolving credit agreements, which had been approved by the Company's regulators. The credit agreements have maturity dates of April 8, 2014 and February 24, 2015. The interest rate on such borrowings is based upon an index rate plus an applicable margin. As of December 31, 2011, the Company had no subordinated borrowings outstanding under these agreements.

12. COMMITMENTS AND CONTINGENCIES

The Company leases office space in New York under an agreement with LF&Co. (Lazard Group, effective February 16, 2011), which expires on May 30, 2012. During 2011, the Company renegotiated its lease with Lazard Group which expires on October 30, 2033. The Company also leases office space in Chicago and Boston under agreements with LF&Co. which expire on January 30, 2018 and January 31, 2018, respectively.

Furthermore, the Company leases office space in San Francisco, Delaware, Boulder, Dallas, and Virginia which leases expire on November 30, 2016, June 30, 2012, August 31, 2012, November 30, 2012, and September 30, 2012, respectively.

Occupancy lease agreements, in addition to base rentals, generally are subject to escalation based on certain costs incurred by the landlord. Aggregate minimum rental commitments under these leases are as follows:

	Minimum Rental Commitments
December 31,	
2012	\$ 2,512
2013	3,672
2014	4,250
2015	4,326
2016	4,368
Thereafter	72,356
Total minimum lease payments	91,484
Less: sublease proceeds	255
Net lease payments	<u>\$ 91,229</u>

At December 31, 2011, the total amount payable was \$986 and is included in other liabilities in the consolidated statement of financial condition.

Underwriting – In the normal course of business, the Company enters into underwriting commitments. Transactions relating to such underwriting commitments that were open at December 31, 2011 and were subsequently settled had no material impact in the consolidated statement of financial condition as of that date.

Other Commitments – The Company has certain contractual agreements that require future payments of \$17,188, \$10,025, and \$5,084, for the years ending December 31, 2012, 2013, and 2014, respectively. Such agreements are cancelable under certain circumstances.

Guarantees – ASC 460, *Guarantees*, requires the Company to disclose information about its obligations under certain guarantee arrangements should certain conditions exist.

The Company is a member of numerous exchanges and clearinghouses. Under the membership agreements, members are generally required to guarantee the performance of other members. Additionally, if a member becomes unable to satisfy its obligations to the clearinghouse, other members would be required to meet shortfalls. To mitigate these performance risks, the exchanges and clearinghouses often require members to post collateral as well as meet certain minimum financial standards. The Company's maximum potential liability under these arrangements cannot be quantified. However, the potential for the Company to be required to make payments under these arrangements is remote. Accordingly, no contingent liability is recorded in the consolidated statement of financial condition for these arrangements.

Legal – The Company's business, as well as the financial services industry generally, is subject to extensive regulation. In the normal course of business, the Company may be involved in a number of judicial, regulatory and arbitration proceedings and inquiries concerning matters arising in connection with the conduct of its business.

As described below, the Company has been named as a defendant in a legal action arising in connection with its underwriting activities. The Company reviews such matters on a case-by-case basis and establishes any required accrual if a loss is probable and the amount can be reasonably estimated. The Company believes the below noted matter is in the early stages of development and a loss or range of loss cannot be reasonably estimated.

On October 18, 2011 five putative class actions were filed in the United States District Court for the Southern District of New York ("the Court") against the Company and other underwriters in connection with the underwriting of SinoTech Energy Limited's ("SinoTech") initial public offering ("IPO") of American Depositary Shares ("ADS") on the Nasdaq Stock Market. While the complaints all arise out of the Company's participation in SinoTech's IPO, they allege slightly different claims under securities law, including claims for violations of Sections 11, 12(a)(2) and 15 of the Securities Act, Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 ("Exchange Act") and Securities Exchange Commission Rule 10b-5. The actions also allege substantially the same misconduct by SinoTech, SinoTech's officers and directors, SinoTech's auditor, and other underwriters participating in SinoTech's IPO. On February 21, 2012 the Court consolidated the five actions, appointed a lead plaintiff and lead counsel for plaintiffs and ordered that the lead plaintiffs file a consolidated complaint. Plaintiffs seek unspecified compensatory damages, among other relief.

13. REGULATORY REQUIREMENTS

As a U.S. registered broker-dealer, the Company is subject to the net capital requirements of Rule 15c3-1 under the Securities Exchange Act of 1934. Under the alternative method permitted by this rule, the minimum required net capital, as defined, shall be 2% of aggregate debit items arising from customer transactions or \$1,500, whichever is greater. At December 31, 2011, the Company's regulatory net capital of \$68,501, was 219% of aggregate debit items, and its regulatory net capital in excess of the minimum was \$67,001.

During 2011, the Company performed the computations for the assets in the proprietary accounts of its introducing brokers (PAIB) in accordance with the customer reserve computation set forth under Rule 15c3-3 of the Securities Exchange Act of 1934.

At December 31, 2011, LCM International Ltd. was in compliance with the UK's FSA requirements.

14. SUBSEQUENT EVENTS

The Company evaluated events and transactions occurring after December 31, 2011 for potential recognition or disclosure in the consolidated statement of financial condition. The following event occurred subsequent to December 31, 2011.

Equity-Indexed Bonus Plan

The Company granted eligible employees approximately \$2,425 of incentive awards in the aggregate under an Equity-Index Bonus Plan deemed to be invested in the Class A common stock of Lazard Ltd.

* * * * *

February 28, 2012

Lazard Capital Markets LLC
30 Rockefeller Center
New York, NY 10020

In planning and performing our audit of the consolidated financial statements of Lazard Capital Markets LLC and subsidiary (the "Company") as of and for the year ended December 31, 2011 (on which we issued our report dated February 28, 2012 and such report expressed an unqualified opinion on those consolidated financial statements), in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission ("SEC"), we have made a study of the practices and procedures followed by the Company, including consideration of control activities for safeguarding securities. This study included tests of compliance with such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g), in the following: (1) making the periodic computations of aggregate debits and net capital under Rule 17a-3(a)(11) and the reserve required by Rule 15c3-3(e); (2) making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by Rule 17a-13; (3) complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System; and (4) obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2011, to meet the SEC's objectives.

This report is intended solely for the information and use of the member, management, the SEC, Financial Industry Regulatory Authority, Inc., and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered broker-dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

Deloitte & Touche LLP