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

SEC FILE NUMBER
8-67786

FACING PAGE
Information Requested 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 01/01/17 AND ENDING 12/31/17
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **Lazard Middle Market LLC**

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
80 South Eighth Street, Suite 2700

(No. and street)

Minneapolis

(City)

MN

(State)

55402

(Zip Code)

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

Kyle Pecha

(612) 371-6533

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Deloitte & Touche LLP

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

50 South Sixth Street, Suite 2800

(Address)

Minneapolis

(City)

MN

(State)

55402-1538

(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 (06-02)

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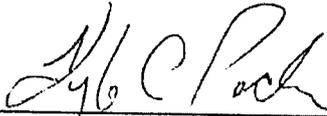
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AFFIRMATION

I, Kyle A. Pecha, affirm that, to the best of my knowledge and belief, the accompanying statement of financial condition pertaining to Lazard Middle Market LLC (the "Company") as of December 31, 2017, is true and correct. I further affirm that neither the Company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer.

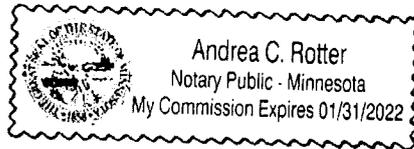


Kyle A. Pecha
Vice President and Controller

Subscribed to before me this 13 day of April, 2018.



Notary Public





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Minneapolis, MN 55402-1538
USA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Managers and Member of Lazard Middle Market LLC

Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of Lazard Middle Market LLC (a wholly owned subsidiary of Goldsmith, Agio, Helms, & Lynner, LLC) (the "Company") as of December 31, 2017, and the related notes (collectively referred to as the "financial statement"). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company as of December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

The financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that our audit of the financial statement provides a reasonable basis for our opinion.

February 28, 2018

We have served as the Company's auditor since 2007.

LAZARD MIDDLE MARKET LLC

STATEMENT OF FINANCIAL CONDITION AS OF DECEMBER 31, 2017

ASSETS

CASH AND CASH EQUIVALENTS	\$49,429,884
ACCOUNTS RECEIVABLE, Net	2,621,767
DUE FROM AFFILIATES	1,639,442
FIXED ASSETS, Net	147,707
PREPAID AND OTHER ASSETS	<u>1,276,207</u>
TOTAL	<u>\$55,115,007</u>

LIABILITIES AND MEMBER'S EQUITY

LIABILITIES:

Accrued salaries, bonuses, and related expenses	\$19,806,865
Due to affiliates	3,270,017
Accounts payable and accrued expenses	942,676
Other liabilities	<u>518,700</u>

Total liabilities 24,538,258

MEMBER'S EQUITY — Member's equity 30,576,749

TOTAL \$55,115,007

See notes to statement of financial condition.

LAZARD MIDDLE MARKET LLC

NOTES TO STATEMENT OF FINANCIAL CONDITION AS OF DECEMBER 31, 2017

1. NATURE AND ORGANIZATION OF BUSINESS

Business — Lazard Middle Market LLC (the “Company”) is a registered securities broker-dealer with the U.S. Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority, Inc. (FINRA). The Company specializes in assisting in the sale of customers’ businesses or business units, and in assisting private and public corporations in transacting debt and equity financings, primarily in the private capital markets. The Company does not execute customer securities transactions and, therefore, does not have a clearing arrangement with any other broker-dealer and holds no customer funds or securities.

The Company is a wholly owned subsidiary of Goldsmith, Agio, Helms & Lynner, LLC (the “Parent”). The Parent’s outstanding shares are held 100% by Lazard Freres & Co. LLC (“Lazard Freres”), an investment banking firm. Lazard Freres is a limited liability company and is owned by Lazard Ltd, a publicly held company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents — The Company defines cash and cash equivalents as short-term, highly liquid securities and cash deposits with original maturities of 90 days or less when purchased.

Revenue Recognition — Investment banking revenue is recognized when earned, through monthly or upfront consulting fees, advisory fees, and accomplishment fees. Monthly consulting fees are recognized in the period in which they cover, while upfront consulting fees are recognized over the initial term of the engagement agreement. Advisory fees are recognized upon completion of a project or assignment. Accomplishment fees from facilitating the sale of customers’ businesses or business units, financing, transactions, and buy-side transactions are recognized upon the closing of a transaction.

Restructuring transactions involve either a distressed company or a company that has filed for bankruptcy. Revenue from restructuring transactions includes consulting fees, advisory fees, and accomplishment fees and is recognized when earned, similar to investment banking fees.

Accounting Pronouncement Issued Not Yet Effective

Revenue from Contracts with Customers— In May 2014, the FASB issued comprehensive new revenue recognition guidance. The guidance requires a company to recognize revenue when it transfers promised services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those services and requires enhanced disclosures. The guidance also changes the accounting for certain contract costs, including whether they may be offset against revenue in the consolidated statements of operations. On July 9, 2015, the FASB approved the deferral of the effective date of the new revenue guidance by one year to annual reporting periods beginning after December 15, 2017. The guidance may be adopted using a full retrospective approach or a modified cumulative effect approach. The Company adopted the revenue recognition guidance upon its effective date of January 1, 2018 using the modified cumulative effect

approach. The Company's adoption efforts included the identification of revenue within the scope of the guidance and the evaluation of revenue contracts.

The Company evaluated the potential impact of the new guidance including (i) the timing of revenue recognition for Financial Advisory and Asset Management fees and (ii) the presentation of certain contract costs. With respect to revenue recognition, the Company assessed the potential impact of the new guidance on the Company's recognition of certain M&A and Restructuring Advisory fees (e.g., transaction completion, transaction announcement and retainer fees), including whether the Company's fulfillment of its performance obligations under M&A and Restructuring Advisory engagement contracts would be deemed to occur over time, or at specific points in time, under the new guidance. Interpretive guidance on this particular topic was issued for comment by the Financial Reporting Executive Committee of the American Institute of Certified Public Accountants and is expected to be finalized during the first quarter of 2018. The Company considered the proposed guidance, and has concluded that M&A and Restructuring Advisory fees would typically be recognized over time as performance occurs, subject to constraints, using an appropriate measure of progress. In addition, Asset Management fees would typically be recognized over time as performance occurs, subject to constraints, using an appropriate measure of progress. Therefore, with regard to revenue recognition, it is expected that there will be no material impact to the Company's financial statements.

With respect to the potential impact of the new guidance on the Company's presentation of certain contract costs, the Company has concluded that the new guidance will result in the gross basis of presentation of certain contract costs that are currently presented net of certain items in revenues. The most significant changes with respect to presentation relate to (a) certain distribution costs within our Asset Management business and (b) certain reimbursable deal costs within our Financial Advisory business, both of which are currently presented net against revenues and will be presented as expenses on a gross basis under the new guidance. The impact to the Company's financial statements is prospective and dependent on future activity levels. The Company currently expects that the prospective presentation will result in an increase to net revenue with an increase to total expenses and that there will be no material impact to net income.

Leases— In February 2016, the FASB issued updated guidance for leases. The guidance requires a lessee to (i) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial condition, (ii) recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis and (iii) classify all cash payments within operating activities in the statement of cash flows. The new guidance is effective for annual and interim periods beginning after December 15, 2018, with early adoption permitted. The new guidance is to be applied on a modified retrospective basis. The Company is currently evaluating the new guidance.

Operating Expenses — The Company records operating expenses (compensation and benefits, executive management service charge, occupancy, professional services, marketing and business development, technology and information services, and other) when incurred relating to services provided in facilitating the operations of the Company, including the cost of services provided by affiliates as discussed in Note 7.

Income Taxes — As a single-member limited liability company, the Company is a disregarded limited liability company for tax purposes and, therefore, does not pay corporate income taxes. Therefore, the Company has not recorded a provision for income taxes in the statement of operations.

Fixed Assets, Net — Fixed assets are stated at historical cost. The estimated useful life of equipment and furniture ranges from three to seven years and is depreciated using the straight-line method. Leasehold improvements are depreciated over the shorter of the lease term or estimated useful life using the straight-line method. The cost and related accumulated depreciation or amortization of assets sold or otherwise disposed of are removed from the related accounts, and resulting gains or losses are reflected in the statement of operations. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized, while expenditures for maintenance and repairs are charged to operations as incurred.

Accounts Receivable, Net — Accounts receivable, net consists of investment banking fees, restructuring advisory fees and reimbursable expenses, net of an estimate for uncollectable reimbursable expenses of \$4,568 as of December 31, 2017. The Company records an allowance for doubtful accounts on specific receivable balances when a loss is probable.

Prepaid and Other Assets — Prepaid and other assets consist primarily of unamortized amounts of prepayments of services and insurance premiums as well as compensation expense related to deferred revenue.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. FAIR VALUE MEASUREMENT

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value by creating a hierarchy for observable independent market inputs and unobservable market assumptions and expands disclosures about fair value measurements. Considerable judgment may be required in interpreting market data used to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that would be realized in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value. The hierarchy has three levels, described 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.

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 nonactive markets; or inputs other than quoted prices that are directly observable or derived principally from, or corroborated by, market data.

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. Items included in Level 3 include securities or other financial assets and liabilities whose volume and level of trading activity have significantly decreased when compared with normal market activity and there is no longer sufficient trading frequency or volume to provide pricing information on an ongoing basis.

Cash equivalents consist of money market funds held with Citibank, N.A., which are carried at fair value on a recurring basis. The money market funds of \$48,371,793 are concluded to be Level 1 as of December 31, 2017.

4. REGULATORY REQUIREMENTS

The Company is subject to the SEC's Uniform Net Capital Rule ("Rule 15c3-1"), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined under such provisions, shall not exceed 15:1. In addition, the Company may be prohibited from expanding its business or paying cash dividends if its ratio of aggregate indebtedness to net capital is greater than 10:1. The Company has maintained its net capital above SEC-required levels at all times. At December 31, 2017, the Company had net capital as defined by Rule 15c3-1 of \$40,756,621, which exceeds its required net capital of \$513,722 by \$40,242,899. The Company's percentage of aggregate indebtedness to net capital was 18.91% at December 31, 2017.

5. EXEMPTION

The Company claims exemption from Rule 15c3-3 of the SEC under paragraph (k)(2)(i) of that rule. Therefore, the Company is not required to make the periodic computation of reserve requirements and is not subject to the possession or control requirements.

6. FIXED ASSETS

As of December 31, 2017, the Company had the following fixed assets:

Computer equipment	\$ 166,631
Furniture and equipment	375,992
Capital lease equipment	182,445
Leasehold improvements	<u>826,664</u>
Total fixed assets	1,551,732
Less accumulated depreciation and amortization	<u>1,404,025</u>
Fixed assets, net	<u>\$ 147,707</u>

7. TRANSACTIONS WITH AFFILIATES

As of December 31, 2017, the Company had receivables due from the following affiliates:

Lazard Freres	\$ 743,748
Lazard Freres KK	666,229
Parent	<u>229,465</u>
Total	<u>\$1,639,442</u>

As of December 31, 2017, the Company had payables due to the following affiliates:

Lazard Statagic Coordination Co., LLC	\$ 2,461,965
Lazard Group LLC	441,430
Lazard & Co. Ltd.	366,402
Lazard Acesores Financieros, S.A.	160
Lazard Asset Management	34
Lazard Canada	26
Total	<u>\$ 3,270,017</u>

Reveivables due from both Lazard Freres and Lazard Freres KK relate to investment banking fees jointly earned by the Company and the affiliate.

Paybles due to Lazard & Co. Ltd. Relate to investment banking fees jointly earned by the Company and the affiliate.

Payables due to Lazard Group LLC primarily relate to Restricted Stock Unit ("RSU") award recharge expense.

The Company has a management agreement with the Parent under which management fees are paid to the Parent for the actual cost of services provided to the Company.

The Company also pays a monthly executive management fee to Lazard Statagic Coordination Co., LLC ("LSCC"), a wholly owned subsidiary of Lazard Group LLC. The management fee represents an allocation of global operating costs and management support services. The allocation is based on revenue and headcount.

8. MAJOR CUSTOMERS

In 2017, the Company had five customers that provided 32% of total revenues.

9. COMMITMENTS AND CONTINGENCIES

Various lawsuits, claims, and proceedings have been, or may be, instituted or asserted against the Company relating to the conduct of its business. The Company records liabilities when the loss amounts are determined to be probable and reasonably estimable. Although the outcome of litigation cannot be predicted with certainty, management believes that the outcome of such legal proceedings and claims would not have a material adverse effect on the Company's financial position, results of operations, or cash flows.

Operating Leases — The Company leases an office facility in Charlotte, North Carolina, under an operating lease arrangement. Future minimum payments for the noncancelable operating lease as of December 31, 2017, are as follows:

Years Ending December 31	Operating Lease
2018	\$ 122,340
2019	126,014
2020	<u>43,050</u>
Net minimum lease payments	<u>\$ 248,354</u>

As disclosed in Note 7, the Company occupies additional office space leased by its affiliates and pays for the actual space used through its management agreement.

Compensation and Benefits — The Company has a qualified 401(k) profit-sharing plan (the “Plan”) in which substantially all of the employees of the Company meeting certain service requirements are eligible to participate.

For the year ended December 31, 2017, the Company has accrued discretionary bonuses of \$16,832,431 which are payable to employees for services completed during the year based on both performance and revenue-generating activities. The Company also recognized a prepaid asset in the amount of \$240,370 for deferred compensation as it relates to those amounts of upfront consulting fee revenue that is unrealized as of December 31, 2017.

As part of the Company’s overall compensation plan, certain employees are awarded shares of Lazard Ltd. stock in the form of RSU’s which vest over a defined period of time. The Company is charged with an expense from Lazard Group LLC over the vesting period.

10. SUBSEQUENT EVENTS

The Company has evaluated events and transactions that occurred after December 31, 2017, through the date this statement of financial condition was issued.

The Company has determined that there were no subsequent events or transactions that would require recognition or disclosure in this statement of financial condition.

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LAZARD MIDDLE MARKET LLC
(SEC I.D. No. 8-67786)

STATEMENT OF FINANCIAL CONDITION
AS OF DECEMBER 31, 2017, AND
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

File pursuant to Rule 17z-5(e)(3)
under the Securities Exchange Act of 1934
as a **Public Document**.