Lazard Ltd
Form S-1/A
April 11, 2005
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As filed with the Securities and Exchange Commission on April 11, 2005

Registration No. 333-121407

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 3

TO

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

LAZARD LTD

(Exact name of Registrant as specified in its charter)

Bermuda	**6199**	**98-0437848**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

Clarendon House

2 Church Street

Hamilton HM 11, Bermuda

(441) 295-1422

(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)

Scott D. Hoffman, Esq.

Lazard Ltd

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New York, New York 10020

(212) 632-6000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, please check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

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

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

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to Be Registered	Proposed Maximum Offering Price (1)	Amount of Registration Fee (2)
Class A common stock, par value $0.01 per share	$ 945,925,182	$ 111,335

(1) Estimated solely for purposes of calculating the amount of the registration fee in accordance with Rule 457(o) under the Securities Act of 1933, as amended.

(2) $100,045 of the registration fee was previously paid in connection with the initial filing of this Registration Statement.

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

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The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Dated April 11, 2005.

30,464,579 Shares

Class A Common Stock

This is an initial public offering of shares of Class A common stock, which we refer to as common stock, of Lazard Ltd, or Lazard. All of the shares of common stock are being sold by Lazard.

Prior to this offering, there has been no public market for the common stock. It is currently estimated that the initial public offering price per share will be between $25.00 and $27.00. Lazard has applied for listing of the common stock on the New York Stock Exchange under the symbol LAZ .

In addition to offering these shares of common stock, Lazard concurrently is offering pursuant to a separate prospectus $250 million of equity security units, plus up to an additional $37.5 million of equity security units if the underwriters for that offering exercise their option to purchase additional equity security units. Lazard LLC also is offering $650 million in principal amount of senior, unsecured notes concurrently in a private placement. The completion of this offering of common stock is subject to the completion of the offering of equity security units and the private placement of the Lazard LLC senior notes and also is subject to satisfaction of the conditions to the separation described in this prospectus. Lazard also intends to sell $150 million of equity security units and $50 million of our common stock to a third party in a private placement upon closing of this offering.

See Risk Factors beginning on page 27 to read about important factors you should consider before buying shares of the common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Initial public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to Lazard	$	$

To the extent that the underwriters sell more than 30,464,579 shares of common stock, the underwriters have the option to purchase up to an additional 4,569,687 shares of common stock from Lazard at the initial public offering price less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on , 2005.

Goldman, Sachs & Co.

Citigroup

Lazard

Merrill Lynch & Co.

Morgan Stanley

Credit Suisse First Boston **JPMorgan**

Prospectus dated , 2005.

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Established 1848

Presence in 27 cities in 15 countries

Executive offices in Paris, London, Milan and New York

Financial Advisory	Asset Management
2004 Net Revenue of $655 million	2004 Net Revenue of $417 million
131 managing directors and 512 other professionals as of December 31, 2004	35 managing directors and 260 other professionals as of December 31, 2004
	Assets Under Management
2004 Net Revenue	***$86 Billion as of December 31, 2004***

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PROSPECTUS SUMMARY

This is a public offering of Class A common stock of Lazard Ltd, which will be the holding company for the public s common equity interests in our company. Unless the context otherwise requires, the terms:

- *Lazard, we, us and our refer to Lazard Ltd, a newly-formed company incorporated under the laws of Bermuda, and its subsidiaries, including Lazard Group (as defined below) and the businesses, subsidiaries, assets and liabilities that Lazard Group will retain after the completion of the transactions described in this prospectus, and*

- *Lazard Group refers to Lazard LLC, a Delaware limited liability company that is the current holding company for our businesses, which will be renamed Lazard Group LLC in connection with this offering and in which Lazard Ltd will acquire a controlling interest upon completion of this offering.*

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with different information. The distribution of this prospectus and sale of these securities in certain jurisdictions may be restricted by law. Persons in possession of this prospectus are required to inform themselves about and observe any such restrictions. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate as of the date on the front cover of this prospectus only. Our business, financial condition, results of operations and prospects may have changed since that date.

This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before investing in our Class A common stock, which we refer to in this prospectus as our common stock. You should read this entire prospectus carefully, especially the risks of investing in our common stock discussed under Risk Factors.

Lazard

We are a preeminent international financial advisory and asset management firm that has long specialized in crafting solutions to the complex financial and strategic challenges of our clients. We serve a diverse set of clients around the world, including corporations, partnerships, institutions, governments and high-net worth individuals. We believe that what sets us apart is our dedication to:

- competing on the basis of our intellectual (rather than financial) capital, which is personified by our team of highly skilled professionals,

- demanding excellence and superior quality in all that we do,

- cultivating long-term, senior-level relationships with clients, through deep roots in local markets,
- linking together our local offices through a global network of industry expertise,
- remaining focused on our chosen lines of business to provide the highest degree of expertise and continuous innovation,
- emphasizing our tradition of integrity in all our dealings, and
- offering independent, trusted and unbiased advice.

Lazard was founded in 1848, expanded shortly thereafter to provision the needs of the California gold rush, and eventually evolved its business exclusively into financial services. Having recently united the historical New York, Paris and London Houses of Lazard under Lazard Group, we operate today from 27 cities in key business and financial centers across 15 countries in Europe, North America, Asia and Australia. We believe that the mix of our activities across business segments, geographic regions, industries and investment strategies helps to diversify and stabilize our revenue stream.

Our Strategic Positioning

We focus primarily on two business segments, Financial Advisory (including our Mergers and Acquisitions and Financial Restructuring practices) and Asset Management. Since January 2002, when new senior management joined our firm, we have made significant reinvestments in the intellectual capital of our business to strengthen ourselves for future growth and profitability. As a result of our strategic initiatives, we believe that we are now positioned such that:

Our Mergers and Acquisitions practice is poised to capitalize on any future growth in the mergers and acquisitions market. This practice comprised 44% of our net revenue from continuing operations (as defined below in Glossary) for the year ended December 31, 2004. During the fourth quarter of 2004, we experienced a 28% increase in net revenue as compared to the corresponding period in 2003, which contributed to a 15% increase in net revenue for the full year 2004 as compared to 2003. During the first quarter of 2005, net revenue in this practice increased by 64% in comparison to the first quarter of 2004. Revenue in a particular quarter may not be indicative, however, of future results.

Our Financial Restructuring practice, which comprised 9% of our net revenue from continuing operations for the year ended December 31, 2004, provides counter-cyclical balance to our Mergers and Acquisitions practice. Following the recent economic recovery, and consistent with our expectation, this practice has experienced a 61% cyclical decline in revenue over the last year. During the first quarter of 2005, net revenue in our Financial Restructuring practice increased 36% in comparison to the first quarter of 2004. Revenue in a particular quarter may not be indicative, however, of future results. With our leading position in this practice area, we believe that we are positioned to benefit from any resurgence in corporate credit defaults and financial distress.

Our Asset Management business, which comprised 38% of our net revenue from continuing operations for the year ended December 31, 2004, is benefiting from new strategic and management initiatives. We have recently transitioned the senior management of our largest Asset Management subsidiary to the next generation of leadership. We have been making significant efforts to improve our investment management capabilities and to enhance and expand our platform of traditional and alternative investment products. During 2004, we grew our management and other fees by 25% versus 2003.

Our Business Model

We have a focused business model. We generate Financial Advisory revenue primarily from fees earned upon the closing of mergers and acquisitions, restructurings and other engagements on which we have provided advisory services. We generate Asset Management revenue primarily from investment advisory fees calculated as a percentage of the assets under our management, or AUM. Employment costs are our largest expense, a significant portion of which is paid in the form of discretionary bonuses. Our policy will be to set our total compensation and benefits expense, including amounts payable to our managing directors, at a level not to exceed 57.5% of our operating revenue, such that after considering other operating costs, we may realize our operating profit margin goal. For more information on our compensation and benefits expenses, see Unaudited Pro Forma Financial

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Information and Risk Factors Risks Related to the Separation Our financial performance depends on our ability to achieve our target compensation expense level, and the failure to achieve this target level may materially adversely affect our results of operations and financial position.

Financial Advisory

Our Financial Advisory business provides advice in connection with a wide range of strategic and financial matters that are typically of great importance to our clients. Our goal is to continue to grow our business by fostering long-term, senior-level relationships with existing and new clients as their independent advisor on strategic transactions such as mergers, acquisitions, restructurings and other financial matters. Our Mergers and Acquisitions services include general strategic advice and transaction-specific advice regarding domestic and cross-border mergers and acquisitions, divestitures, privatizations, special committee assignments, takeover defenses, strategic partnerships, joint ventures and specialized real estate advisory services. We provide advice to managements and boards of directors, business owners, governments, institutions, investors and other interested parties on a worldwide basis. Our dedicated industry specialty groups include: consumer, financial institutions, financial sponsors, healthcare and life sciences, industrial, power and energy, real estate and technology, media and telecommunications. We also currently provide various corporate finance services, such as fund-raising for alternative investment firms and public and private financings.

Our Financial Restructuring practice, which specializes in helping companies in financial distress, is an important strategic component of our Financial Advisory business. We believe we are the leading financial restructuring advisory firm in the world, having advised on most of the largest and highest profile corporate restructurings over the last several years. We believe that we have been able to secure our leading position in this practice area through a combination of our restructuring and industry-related expertise and our independent position. This practice complements our Mergers and Acquisitions practice because it is generally more active when our Mergers and Acquisitions practice is less active. In addition, our Financial Restructuring practice often generates follow-on relationships and assignments that survive the completion of restructuring-related engagements.

In 2004, Financial Advisory net revenue totaled $655 million, accounting for 60% of our net revenue from continuing operations, and was earned from a diverse group of 435 clients. Fifty-four percent of this net revenue was generated in Europe, 45% in North America and 1% in the rest of the world.

Since January 2002, when new senior management joined our firm, our focus in our Financial Advisory business has been on:

- making a significant reinvestment in our intellectual capital with the addition of many senior professionals who we believe have strong client relationships and industry expertise. We have recruited or promoted 68 new managing directors from January 2002 through December 2004, contributing to a 48% increase, net of departures, in Financial Advisory managing director headcount over that period, with the result that approximately half of our Financial Advisory managing directors have joined our firm or been promoted since January 2002. While we will continue opportunistically to hire outstanding individuals to this practice, we anticipate that our recent managing director expansion program in this practice is now substantially complete,

- increasing our contacts with existing clients to further enhance our long-term relationships and our efforts in developing new client relationships, expanding the breadth and depth of our industry expertise and adding new practice areas,

coordinating our industry specialty groups on a global basis, and broadening our global presence by adding six new regional offices and entering into strategic alliances in new geographies.

As a result, our Financial Advisory practice today consists of an experienced group of advisors with specialties across a wide range of industries and practice areas, operating, we believe, with increased quality and frequency of client contact. We made these investments during a period of financial market weakness, when many of our competitors were reducing senior staffing, to position us to capitalize more fully on any financial services industry recovery. We believe that it generally takes a new managing director from one to two years from the date of hiring to produce revenue at his or her full capacity. As a result, we believe that many of our new managing directors have not yet reached their full revenue generating potential.

In addition to the recent expansion of our Financial Advisory team, we believe that the following external market factors may enable our Financial Advisory practice to benefit from future growth in the global mergers and acquisitions advisory business:

increasing demand for independent, unbiased financial advice, and

a potential increase in cross-border mergers and acquisitions and large capitalization mergers and acquisitions, two of our areas of historical specialization, which have experienced greater than average declines in recent years.

Asset Management

Our Asset Management business provides investment management and advisory services to institutional clients, financial intermediaries, private clients and investment vehicles around the world. Our goal in our Asset Management business is to produce superior risk-adjusted investment returns and provide investment solutions customized for our clients. As of December 31, 2004, total AUM was $86.4 billion, of which approximately 80% was managed on behalf of institutional clients, including corporations, labor unions, public pension funds, insurance companies and banks, and through sub-advisory relationships, mutual fund sponsors, broker-dealers and registered advisors. As of the same date, approximately 20% of our AUM was managed on behalf of individual client relationships, which are principally with family offices and high-net worth individuals.

Many of our equity investment strategies share an investment philosophy that centers on fundamental security selection with a focus on the trade-off between a company s valuation and its financial productivity. As of December 31, 2004, 81% of our AUM was invested in equities, 13% in fixed income, 3% in alternative investments, 3% in cash and less than 1% in merchant banking funds. As of the same date, approximately 56% of our AUM was invested in international (*i.e.*, non-U.S.) investment strategies, 23% was invested in global investment strategies and 21% was invested in U.S. investment strategies.

We operate our Asset Management business through two principal subsidiaries, Lazard Asset Management LLC, or LAM, in New York, San Francisco, London, Milan, Frankfurt, Hamburg, Tokyo, Sydney and Seoul (aggregating $76.5 billion in total AUM as of December 31, 2004), and Lazard Frères Gestion, or LFG, in Paris (aggregating $9.4 billion in total AUM as of December 31, 2004). These operations provide our business with a global presence and a local identity. We also manage $0.5 billion of merchant banking funds.

In 2004, Asset Management net revenue was $417 million, accounting for 38% of our net revenue from continuing operations. Fifty-nine percent of this net revenue was generated in North America, 33% in Europe and 8% in the rest of the world.

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Our strategic plan in our Asset Management business is to focus on delivering superior investment performance and client service and broadening our product offerings and distribution in selected areas in order to continue to drive business results. In March 2004, we undertook a senior management transition at LAM to put in place the next generation of leadership and to better position the business to execute our strategic plan. Over the past several years, in an effort to improve LAM s operations and expand our business, we have:

- focused on enhancing our investment performance,
- improved our investment management platform by hiring ten senior equity analysts and filling the newly established position of Head of Risk Management,
- strengthened our marketing capabilities by establishing a global consultant relations effort aimed at improving our relations with the independent consultants who advise many of our clients on the selection of investment managers,
- expanded our product platform by lifting-out experienced portfolio managers to establish new products in the hedge fund area and in thematic investing, and
- launched new products such as Lazard European Explorer, a European long/short strategy, and Lazard Global Total Return and Income Fund, Inc., a closed-end fund.

We believe that LAM has long maintained an outstanding team of portfolio managers and global research analysts. We intend to maintain and supplement our intellectual capital to achieve our goals. We also believe that LAM s specific investment strategies, global reach, brand identity and access to multiple distribution channels will allow it to leverage into new investment products, strategies and geographic locations. In addition, we plan to expand our participation in merchant banking activities through investments in new and successor funds.

Competitive Advantages

We attribute our success and distinctiveness to a combination of long-standing advantages from which we and our predecessor partnerships have benefited, including:

- **Experienced People.** Our professionals concentrate on solving complex financial problems and executing specialized investment strategies. We strive to maintain and enhance our base of highly talented professionals and pride ourselves on being able to offer clients more senior-level attention than may be available from many of our competitors.
- **Independence.** We are an independent firm, free of many of the conflicts that can arise at larger financial institutions as a result of their varied sales, trading, underwriting, research and lending activities. We believe that recent instances of perceived or actual conflicts of interest, and a desire to avoid any potential future conflicts, have increased the demand by managements and boards of directors for trusted, unbiased advice from professionals whose main product is advice.

Reputation. Our firm has a brand name with over 150 years of history. We are focused on providing world-class professional advice in complex strategic and financial assignments, utilizing both our global capabilities and deeply rooted, local know-how.

Focus. We are focused on two primary businesses Financial Advisory and Asset Management rather than on a broad range of financial services. We believe this focus has helped, and will continue to help, us attract clients and recruit professionals who want to work in a firm where these activities are the central focus.

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Global Presence with Local Relationships. We believe that linking our talented indigenous professionals, deep local roots and industry expertise across offices enables us to be a global firm while maintaining a local identity. We believe this approach enables us to build close, local relationships with our clients and to develop insight into both local and international commercial, economic and political issues affecting their businesses. We do not regard any single jurisdiction as our home country.

Balance. Our Financial Advisory business includes both our Mergers and Acquisitions practice and our Financial Restructuring practice, which historically have been counter-cyclical to each other, thus helping to stabilize our revenue stream. Our Asset Management business helps provide further stability, principally because we generate significant recurring client business from year to year. Our revenue is also geographically diversified: in 2004 we derived 50% of our net revenue from continuing operations from offices in North America, 47% from offices in Europe and 3% from offices in the rest of the world.

Strong Culture. We believe that our people are united by a desire to be a part of an independent firm in which their activities are at the core and by a commitment to excellence and integrity in their activities. This is reinforced by the significant economic stake our managing directors have in our success. In our opinion, the strength of our many long-term client relationships is a testament to our distinctive culture and approach to providing superior advice to our clients.

Selected Risk Factors

We face a number of competitive challenges and potential risks. See Risk Factors for a discussion of the factors you should consider before buying our securities. Some of the more significant challenges and risks include the following:

Retention of our Managing Directors and other Key Professionals. Our business depends upon our retention and recruitment of talented people, and we face competitive pressures for retaining and recruiting top talent. Because of these competitive pressures and our goal of achieving our target ratio of compensation expense-to-operating revenue, we may not be able to retain our managing directors or recruit new managing directors.

Our Results Will Fluctuate. The level and source of our revenue fluctuates from period to period. In particular, despite the improvement in our Mergers and Acquisitions and Asset Management net revenue during 2004 and the first quarter of 2005, these businesses remain subject to cyclical economic and market influences. The cyclical downturn in the financial services industry between 2000 and 2003, the year prior to the recent recovery, in combination with our having undertaken to invest significantly in the intellectual capital of our business commencing in 2002, resulted in substantial declines in our net revenue and net income allocable to members from 2000 to 2004.

Dependence on Market Conditions. As a financial services firm, our businesses are materially affected by conditions in the global financial markets and economic conditions throughout the world. The performance of our Financial Advisory business depends, in part, upon the level of merger and acquisition activity and the rate of financial restructurings. The performance of our Asset Management business, including both management and incentive fees that we earn, depend, in part, upon the performance of securities markets generally. As a result, market and economic conditions significantly affect our performance.

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Retention of Asset Management Clients. In addition to being dependent upon general market conditions, our Asset Management business also is dependent upon performance relative to our competitors. If our AUM underperform relative to our competitors, our clients may withdraw funds from our Asset Management business, which would decrease the amount of AUM upon which we earn management fees.

Competition from Other Financial Institutions. The financial services industry is intensely competitive. Many of our competitors have the ability to offer a wide range of products, from loans, deposit-taking and insurance to brokerage, asset management and investment banking services. These competitors have the ability to support their investment banking services, including financial advisory services, with commercial banking, insurance and other financial services revenue. Such cross-subsidization could result in pricing pressure in our businesses.

Industry Litigation and Regulation. The financial services industry faces substantial litigation and regulatory risks, and we may face legal liability and damage to our professional reputation if our services are not regarded as satisfactory or do not meet regulatory requirements.

Our Initial Public Offering

We decided to become a public company in order to:

- incentivize our key employees, who also will be our primary owners, to grow the profitability of our business and enhance our ability to retain and recruit talented professionals,
- better align the interests of all of our owners by using the net proceeds from this offering, and the net proceeds from the additional financing transactions, primarily to redeem membership interests in our firm held by the historical partners, and
- provide us with publicly traded securities, which we could use to finance strategic acquisitions in the future.

This offering is a public offering of Class A common stock of Lazard Ltd, which will be the holding company for the public s common equity interests in Lazard Group. Lazard Group holds our Financial Advisory and Asset Management businesses.

This offering is one of a series of concurrent securities offerings that Lazard Ltd, Lazard Group and one or more of their subsidiaries intend to complete, which other offerings we refer to in this prospectus as the additional financing transactions. The additional financing transactions consist of an offering, by means of a separate prospectus, of equity security units, which we refer to in this prospectus as the ESU offering, a private placement of senior unsecured notes of Lazard Group, by means of a separate offering memorandum, which we refer to in this prospectus as the debt offering, and an investment agreement with IXIS Corporate & Investment Bank, which we refer to in this prospectus as the IXIS investment agreement. This prospectus shall not be deemed to be an offer to sell or a solicitation of an offer to buy any securities offered in the ESU offering or the debt offering or any securities to be acquired pursuant to the IXIS investment agreement. See Description of Capital Stock IXIS Investment in Our Common Stock, Description of Indebtedness IXIS Investment in Exchangeable Debt Securities and Description of Indebtedness Lazard Group Senior Notes.

Our History

Our origins date back to 1848 when our founders, the Lazard brothers, formed Lazard Frères & Co. as a dry goods business in New Orleans, Louisiana, with a combined contribution of $9,000. Shortly thereafter, the Lazard brothers moved to the gold rush town of San Francisco, California, where they opened a business selling imported goods and exporting gold bullion. The business progressively became involved in financial transactions, first with its retail clients and then increasingly with commercial clients. Over time, the business expanded into the banking and foreign exchange businesses.

Seeking to expand operations to Europe, the Lazard brothers opened offices in Paris and London in 1858 and 1870, respectively. By 1876, Lazard s businesses had become solely focused on providing financial services. In 1880, Alexander Weill, the founding brothers cousin, assumed control of Lazard.

Through the early and mid-twentieth century, the three Lazard Houses in London, Paris and New York continued to grow their respective operations independently of each other, with the New York House coming under the leadership of André Meyer in 1944. Under Mr. Meyer and continuing with Felix Rohatyn, the New York House further developed its reputation as a preeminent mergers and acquisitions advisory firm. Michel David-Weill, a descendant of the founding families, joined Lazard Frères et Cie. in Paris in 1956, ascended to a leadership role within the French operations and later moved to the New York House, where he became senior partner in 1977.

Lazard has conducted an asset management business in Paris since 1969, establishing a separate subsidiary, LFG, for those operations in 1995. In 1970, the New York House entered the institutional asset management business by establishing LAM to complement its financial advisory business.

Throughout the twentieth century, Lazard s Paris and New York Houses were owned by the Houses individual partners and by relations of their founders. For much of that period, the London House was majority-owned by Pearson plc, until the sale in 2000 by Pearson of its interests to a predecessor of Eurazeo S.A.

The unification of the Houses of Lazard under a single global firm was completed as of January 3, 2000, with their merger to form Lazard LLC. We believe that this combination has enabled us to offer our clients the benefits of a more unified global firm while preserving the advantages of our century-old, local roots. Bruce Wasserstein joined Lazard in early 2002 as Head of Lazard. Under Mr. Wasserstein s direction, Lazard has pursued a strategy of growing its Financial Advisory and Asset Management businesses by attracting senior investment bankers and investment advisory professionals to our firm.

Lazard s history as a preeminent financial advisor has contributed to its ability to secure key advisory roles in some of the most important, complex and recognizable mergers and acquisitions of the last 75 years. Since 1999, we have advised on nearly 1,000 completed mergers and acquisitions, having a cumulative value in excess of $1 trillion. During this period, we have participated in many prominent transactions, advising:

MCI, Inc. in evaluating its strategic alternatives, including its announced agreement to engage in a merger,

Nextel Communications in its pending merger-of-equals with Sprint Corporation (to create a company with a combined equity market value of approximately $70 billion as of December 15, 2004), Telecom Italia Mobile in its pending 21 billion sale of the remaining public interests to Telecom Italia (integrating Italy s largest phone carrier and leading mobile operator),

Mitsubishi Tokyo Financial Group in its $41 billion acquisition of UFJ Holdings (the first contested transaction among Japanese banks, creating the world s largest financial institution as measured by assets as of the date of this prospectus), Hollinger International Inc. in its £730 million sale of the Telegraph Group Limited to Press Holdings International (owned by the Barclay brothers) in 2004 (the largest single title newspaper transaction as of the date of this prospectus),

Fisher Scientific International Inc. in its $3.7 billion acquisition of Apogent Technologies Inc. in 2004 (creating a leading life sciences business),

Bank One Corporation in its $59 billion sale to JPMorgan Chase & Co. in 2004 (creating the second largest bank in the U.S. as of the date of this prospectus),

Canary Wharf Group PLC in its £5 billion sale of a majority interest to an investment consortium in 2004 (the largest ever public-to-private transaction for a listed real estate company as of the date of this prospectus),

Alcan Inc. in its $7 billion acquisition of Pechiney in 2004 (creating the world s largest aluminum company based on revenue as of the date of this prospectus),

Telecom Italia in its □25 billion sale of minority stockholder interests to Olivetti in 2003 (simplifying the ownership structure of one of Europe s largest telecommunications firms),

Caisse des Dépôts et Consignations in its □16 billion partnership with Group Caisse d Epargne in 2003 (completing the restructuring of the French public finance sector and creating a major universal bank), and

Pfizer Inc. in its $89 billion acquisition of Warner-Lambert Company in 2000 (the largest unsolicited acquisition at the time) and in its $61 billion acquisition of Pharmacia (the largest announced acquisition in 2002).

In recent years, we have been an advisor in most of the largest and highest profile corporate restructurings around the world. Since 1999, we have advised on over 100 in and out-of-court restructurings comprising in excess of $300 billion of debt restructured. Our restructuring assignments have included, in the U.S., WorldCom Inc. ($38 billion of debt) and Reliant Resources ($9 billion of debt), in Italy, Parmalat ($27 billion of debt), in the U.K., Marconi Corporation plc ($8 billion of debt), in France and the U.K., Eurotunnel plc ($12 billion of debt) and in Korea, Daewoo ($50 billion of debt).

We were incorporated in Bermuda on October 25, 2004. Our registered office in Bermuda is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, with a general telephone number of (441) 295-1422. Our principal executive offices are located in the U.S. at 30 Rockefeller Plaza, New York, New York 10020, with a general telephone number of (212) 632-6000, in France at 121 Boulevard Haussmann, 75382 Paris Cedex 08, with a general telephone number of 33-1-44-13-01-11, in the U.K. at 50 Stratton Street, London W1J 8LL, with a general telephone number of 44-207-187-2000 and in Italy at via Dell Orso 2, 20121 Milan, with a general telephone number of 39-02-723121. In total, we maintain offices in 27 cities worldwide. We maintain an Internet site at *www.lazard.com.* **Our website and the information contained on that site, or connected to that site, are not incorporated into this prospectus, and you should not rely on any such information in making your decision whether to purchase our securities.**

Lazard s Organizational Structure

Lazard Ltd is a Bermuda holding company. After completion of this offering, Lazard Ltd will have no material assets other than ownership of approximately 33.7% of the common membership interests of Lazard Group, the Delaware limited liability company that holds our business. The remaining 66.3% of Lazard Group s common membership interests will be held by LAZ-MD Holdings, a holding company that will be owned by current and former managing directors of Lazard Group. The Lazard Group common membership interests held by LAZ-MD Holdings will be effectively exchangeable over time on a one-for-one basis for shares of our common stock, as described in The Separation and Recapitalization Transactions and the Lazard Organizational Structure.

Lazard Ltd will hold a controlling interest in, and consolidate the financial statements of, Lazard Group. LAZ-MD Holdings ownership interests in Lazard Group will be accounted for as a minority interest in our consolidated financial results after this offering.

Lazard Group distributions will be allocated to holders of Lazard Group common membership interests on a pro rata basis. As we will hold approximately 33.7% of the outstanding Lazard Group common membership interests immediately after this offering, we will receive approximately 33.7% of the aggregate distributions in respect of the Lazard Group common membership interests.

Our stockholders will experience significant dilution upon the completion of this offering since we will use the net proceeds of this offering and the additional financing transactions primarily to recapitalize Lazard Group, which transaction we refer to in this prospectus as the recapitalization. As part of the recapitalization, Lazard Group will use the proceeds from this offering and the additional financing transactions primarily to redeem outstanding membership interests of its historical partners. See Dilution and Use of Proceeds.

Prior to completing the recapitalization, Lazard Group will transfer its capital markets business, which consists of equity, fixed income and convertibles sales and trading, broking, research and underwriting services, its merchant banking fund management activities other than its existing merchant banking business in France and specified non-operating assets and liabilities, to LFCM Holdings. We refer to these businesses, assets and liabilities as the separated businesses and these transfers collectively as the separation. For a more detailed description of the separation and the separated businesses, see The Separation and Recapitalization Transactions and the Lazard Organizational Structure, Certain Relationships and Related Transactions Relationship with LAZ-MD Holdings and LFCM Holdings Master Separation Agreement and Risk Factors Risks Related to the Separation.

Except as otherwise expressly noted, this prospectus describes Lazard Group s business as if the separation were complete for all purposes and for all periods described. The historical consolidated financial data of Lazard Group included in this prospectus, however, reflect the historical results of operations and financial position of Lazard Group, including the separated businesses. In addition to other adjustments, the pro forma financial data included in this prospectus reflect financial data for Lazard Group and Lazard Ltd giving effect to the separation, as well as other adjustments made as a result of this offering and the additional financing transactions.

Each share of our common stock will entitle its holder to one vote per share. The share of our Class B common stock is intended to allow our managing directors to individually vote in proportion to their indirect economic interests in us. This will be effected by LAZ-MD Holdings, which holds our Class B common stock, entering into a stockholders agreement with its members pursuant to which

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the members individually will be entitled to direct LAZ-MD Holdings how to vote their proportionate interest in our Class B common stock on an as-if-exchanged basis. This means that if a member held a LAZ-MD Holdings exchangeable interest that was effectively exchangeable for 1,000 shares of our common stock, that member would be entitled to direct LAZ-MD Holdings how to vote 1,000 votes represented by our Class B common stock. Our Class B common stock will be entitled, on all matters submitted to a vote of the stockholders of Lazard Ltd, to the number of votes equal to the number of shares of our common stock that would be issuable if all of the then outstanding Lazard Group common membership interests issued to LAZ-MD Holdings were exchanged for shares of our common stock. We refer to this stockholders agreement as the LAZ-MD Holdings stockholders agreement. Immediately after this offering, our Class B common stock will have 66.3% of the voting power of our company, which percentage will decrease proportionately as Lazard Group common membership interests are exchanged for shares of our common stock. In order to seek to avoid the possibility that LAZ-MD Holdings would be deemed to be an investment company for purposes of the U.S. Investment Company Act of 1940, as amended, or the Investment Company Act, the voting power of our outstanding Class B common stock will, however, represent no less than 50.1% of the voting power of our company until December 31, 2007. In addition, the board of directors of LAZ-MD Holdings will have the ability to vote the entire voting interest represented by our Class B common stock in its discretion if the LAZ-MD Holdings board of directors determines that it is in the best interests of LAZ-MD Holdings.

Our public stockholders, including IXIS and working members who hold historical partner interests and who have elected to exchange those interests for shares of our common stock, initially will hold all of the outstanding shares of our common stock, representing approximately 33.7% of the voting power in Lazard Ltd and 100% of Lazard Ltd s capital stock on an economic basis. The Class B common stock will not have any economic rights in Lazard Ltd. As noted above, Lazard Ltd will hold approximately 33.7% of the Lazard Group common membership interests immediately after this offering, entitling our company to an equivalent percentage of any distributions made by Lazard Group in respect of its common membership interests. The remaining approximately 66.3% of Lazard Group common membership interests outstanding immediately after this offering will be held by LAZ-MD Holdings, entitling LAZ-MD Holdings to an equivalent percentage of any distributions made by Lazard Group in respect of its common membership interests.

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The graphic below illustrates our expected pro forma ownership structure immediately following completion of this offering, assuming no exercise of the underwriters over-allotment option. The graphic below does not display all of the subsidiaries of Lazard Ltd, Lazard Group and LAZ-MD Holdings (including those through which Lazard Ltd holds its interests in Lazard Group), all of the minority interests in Lazard Group (including the participatory interests to be granted to managing directors) or other securities we expect to issue or grant in connection with the additional financing transactions. The Public Stockholders caption on the graphic below includes shares of common stock that will be issued to IXIS pursuant to the IXIS investment agreement and to working members who hold historical partner interests and who have elected to exchange those interests for shares of our common stock. For a more detailed graphic, we refer you to The Separation and Recapitalization Transactions and the Lazard Organizational Structure and, for a further discussion of minority interests, to Management s Discussion and Analysis of Financial Condition and Results of Operations Key Financial Measures and Indicators Minority Interest.

The working members will receive, in exchange for their interests in Lazard Group, membership interests in LAZ-MD Holdings, including LAZ-MD Holdings exchangeable interests, in connection with the separation and recapitalization transactions. These LAZ-MD Holdings exchangeable interests are effectively exchangeable for shares of our common stock on the eighth anniversary of this offering. In addition, the LAZ-MD Holdings exchangeable interests held by our working members who continue to provide services to us or LFCM Holdings will, subject to certain conditions, generally be effectively exchangeable for shares of our common stock in equal increments on and after each of the third, fourth and fifth anniversaries of this offering. LAZ-MD Holdings and certain subsidiaries of Lazard Ltd (which will effect the exchanges), with the consent of the Lazard Ltd board of directors, also have the right to cause the holders of LAZ-MD Holdings exchangeable interests to exchange all such remaining

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interests during the 30-day period following the ninth anniversary of this offering and under certain other circumstances. Upon full exchange of the LAZ-MD Holdings exchangeable interests for shares of our common stock, the Class B common stock would cease to be outstanding, and all of the Lazard Group common membership interests formerly owned by LAZ-MD Holdings would be owned indirectly by Lazard Ltd. See Certain Relationships and Related Transactions Relationship with LAZ-MD Holdings and LFCM Holdings Master Separation Agreement LAZ-MD Holdings Exchangeable Interests.

In connection with the separation and recapitalization transactions, our managing directors who are managing directors of LAM will retain their equity interests and phantom equity rights in LAM, which we refer to in this prospectus as LAM equity units, and, accordingly, will not hold any membership interests in LAZ-MD Holdings. For a discussion of the LAM equity units, see Management s Discussion and Analysis of Financial Condition and Results of Operation Key Financial Measures and Indicators Minority Interest.

We intend to undertake several transactions concurrently with this offering, including the additional financing transactions, in order to establish this organizational structure and effect the recapitalization of Lazard Group. For more information about these transactions, see The Separation and Recapitalization Transactions and the Lazard Organizational Structure. Under the terms of the master separation agreement that we intend to enter into regarding the separation, we may withdraw the proposed transactions, including this offering, without liability at any time prior to the time that this offering is effected. See Certain Relationships and Related Transactions Relationship with LAZ-MD Holdings and LFCM Holdings Master Separation Agreement and Risk Factors Risks Related to the Separation.

Material U.S. Federal Income Tax and Bermuda Tax Considerations

Lazard Ltd is not subject to any Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax. In addition, under current Bermuda law, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by our stockholders in respect of our common stock.

We intend to operate our business so that, with respect to our common shares, each stockholder will generally be required to report on its U.S. federal income tax return only the amount of cash actually distributed to such stockholder. Lazard Ltd, the parent holding company, has made an election to be treated as a partnership for U.S. federal income tax purposes. As a result, each stockholder will be required to report on its income tax return its allocable share of Lazard Ltd s income, gains, losses and deductions.

Because Lazard Ltd is a partnership for U.S. federal income tax purposes, Lazard Ltd itself will not pay any U.S. federal income tax, although Lazard Ltd s U.S. subsidiaries generally will be subject to U.S. federal income tax on a net income basis on their share of the income of Lazard Group and its subsidiaries, and Lazard Ltd s non-U.S. subsidiaries generally will be subject to U.S. federal income tax on a net income basis on the income of Lazard Group and its subsidiaries that is effectively connected with their conduct of a trade or business in the U.S.

For additional information concerning the material tax consequences of investing in our common shares, see Material U.S. Federal Income Tax and Bermuda Tax Considerations.

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Relationship with LAZ-MD Holdings and LFCM Holdings

In addition to LAZ-MD Holdings equity and voting interests in Lazard Ltd and Lazard Group as described above in Lazard s Organizational Structure, we will have ongoing relationships with LAZ-MD Holdings and LFCM Holdings and its subsidiaries after the separation and this offering, including several agreements with LAZ-MD Holdings and LFCM Holdings that are intended to define and regulate Lazard s ongoing relationship with LAZ-MD Holdings and LFCM Holdings after the separation and this offering. For a further discussion, see Certain Relationships and Related Transactions Relationship with LAZ-MD Holdings and LFCM Holdings.

Bermuda Law

The Companies Act 1981 of Bermuda, as amended, which we refer to in this prospectus as the Companies Act, which applies to Lazard Ltd, differs in certain material respects from laws generally applicable to U.S. corporations and their stockholders. These differences include:

Voting rights of stockholders. Under Bermuda law, voting rights of stockholders are regulated by the company s bye-laws and, in certain circumstances, the Companies Act. While we have generally sought to provide for voting rights that are similar to those of a Delaware corporation, our bye-laws and Bermuda law contain selected provisions that differ from what would require a stockholder vote in a Delaware corporation. For example, at any annual or general meeting of our stockholders, two or more persons present in person and generally representing greater than 50% of the votes are required to form a quorum for the transaction of business. Generally, except as otherwise provided in the bye-laws, any action or resolution requiring approval of the stockholders may be passed by a simple majority of votes cast. Delaware law provides that a majority of the shares entitled to vote constitutes a quorum at a meeting of stockholders. For a Delaware corporation, in matters other than the election of directors, with the exception of special voting requirements related to extraordinary transactions, the affirmative vote of the majority is required for stockholder action, and the affirmative vote of a plurality is required for the election of directors.

In Bermuda, mergers and amalgamations (other than between certain affiliated companies) generally require the approval of a company s board of directors and, unless the company s bye-laws provide otherwise, the approval of 75% of the stockholders. Our bye-laws provide that a merger or an amalgamation (other than with a wholly owned subsidiary) approved by our board of directors must be approved by a majority of the combined voting power of all of the shares voting together as a single class. In Delaware, with certain exceptions, a merger, consolidation or sale of all or substantially all the assets of a corporation must be approved by the board of directors and a majority of the outstanding shares entitled to vote thereon.

The ability of a company to pay dividends. Under the Companies Act, we may declare or pay a dividend or make a distribution out of distributable reserves only if we have reasonable grounds for believing that we are, or would after the payment be, able to pay our liabilities as they become due and if the realizable value of our assets would thereby not be less than the aggregate of our liabilities and issued share capital and share premium accounts. A Delaware company, subject to any restrictions contained in the company s certificate of incorporation, may pay dividends out of surplus or, if there is no surplus, out of net profits for the fiscal year in which the dividend is declared and for the preceding fiscal year, but the company may not pay dividends out of net profits if, after the payment of the dividend, capital is less than the capital represented by the outstanding stock of all classes having a preference upon the distribution of assets.

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Stockholders ability to call meetings. Bermuda law provides that a special general meeting must be called upon the request of stockholders holding not less than 10% of the paid-up share capital of the company carrying the right to vote. Delaware law permits the certificate of incorporation of a Delaware corporation to bar stockholder ability to call a special meeting.

Access to books and records by the general public and stockholders. Members of the general public have the right to inspect the public documents of a Bermuda company available at the office of the Registrar of Companies in Bermuda. Delaware law permits any stockholder to inspect or obtain copies of a corporation s stockholder list and its other books and records for any purpose reasonably related to such person s interest as a stockholder.

Duties of directors. Under Bermuda law, the duties of directors and officers of a company are generally owed to the company only. In exercising their powers, directors of a Delaware corporation are charged with a fiduciary duty of care to protect the interests of the corporation and a fiduciary duty of loyalty to act in the best interests of its stockholders.

The scope of indemnification available to directors and officers. The Companies Act provides that a Bermuda company may indemnify its directors and officers in respect of any loss arising or liability attaching to them as a result of any negligence, default or breach of trust of which they may be guilty in relation to the company in question, but any provision indemnifying a director or officer (other than in an action by or in the right of the corporation) against any liability which would attach to him or her in respect of his or her fraud or dishonesty will be void. Under Delaware law, a corporation may indemnify its director or officer against expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in defense of an action, suit or proceeding by reason of such position if such director or officer (i) acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the corporation and (ii) with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

The Bermuda Monetary Authority has classified us as a non-resident of Bermuda for exchange control purposes. Accordingly, the Bermuda Monetary Authority does not restrict our ability to engage in transactions in currencies other than Bermuda dollars, to transfer funds in and out of Bermuda or to pay dividends to non-Bermuda residents who are stockholders, other than in Bermuda dollars. We have received consent under the Exchange Control Act 1972 from the Bermuda Monetary Authority for the issue and transfer of the common stock to and between non-residents of Bermuda for exchange control purposes, provided that our shares remain listed on an appointed stock exchange, which includes the New York Stock Exchange, or the NYSE. This prospectus will be filed with the Registrar of Companies in Bermuda in accordance with Bermuda law. In granting such consent and in accepting this prospectus for filing, neither the Bermuda Monetary Authority nor the Registrar of Companies in Bermuda accepts any responsibility for our financial soundness or the correctness of any of the statements made or opinions expressed in this prospectus.

For more information on the rights under the Companies Act, including where relevant, information on Lazard Ltd s bye-laws, and a comparison to Delaware corporate law, see Description of Capital Stock Delaware Law and Certain Relationships and Related Transactions Certain Relationships with Our Directors, Executive Officers and Employees Director and Officer Indemnification.

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The Offering

Common stock offered by Lazard Ltd(a)	30,464,579 shares
Capital stock to be outstanding immediately following this offering:	
Class A common stock(b)	33,653,846 shares
Class B common stock	1 share
Lazard Group common membership interests to be outstanding immediately after the offering:	
Owned by Lazard Ltd	33,653,846 interests
Owned by LAZ-MD Holdings(c)	66,346,154 interests
Total	100,000,000 interests
Additional Financing Transactions	Concurrently with this offering, Lazard Ltd, Lazard Group or one or more of their subsidiaries intend to sell additional securities in the ESU offering, the debt offering and pursuant to the IXIS investment agreement to raise estimated net proceeds of approximately $1.1 billion. The completion of the additional financing transactions and this offering will be conditioned upon the completion of each of the other financings. None of this offering, the ESU offering or the debt offering, however, is conditioned upon the completion of the transactions contemplated by the IXIS investment agreement.

(a) Excludes all of the 4,569,687 shares of common stock that may be purchased by the underwriters pursuant to the exercise of the underwriters over-allotment option. Unless specifically noted, information in this prospectus does not give effect to the possible exercise, in whole or in part, of the underwriters over-allotment option.

(b) Includes (1) the 30,464,579 shares of common stock to be sold pursuant to this offering, (2) the 1,923,077 shares of common stock to be sold to IXIS as part of the additional financing transactions and the 1,266,190 shares of common stock to be issued to working members who hold historical partner interests and have elected to exchange those interests for shares of common stock, but excludes (a) 66,346,154 shares of our common stock that will be issuable in connection with future exchanges of common membership interests in Lazard Group held by LAZ-MD Holdings, which Lazard Group common membership interests will be effectively exchangeable for shares of our common stock on a one-for-one basis, (b) up to shares of our common stock issuable in connection with the equity security units that we expect to issue in the ESU offering and pursuant to the IXIS investment agreement and (c) 25,000,000 shares of our common stock reserved for issuance, none of which will have been granted or be subject to awards immediately following this offering, in connection with our equity incentive plans. If, immediately following this offering, LAZ-MD Holdings exchanged all of its Lazard Group common membership interests, LAZ-MD Holdings would own 66,346,154 shares of our common stock, representing approximately 66.3% of our outstanding common stock (approximately 63.4% if the underwriters over-allotment option is exercised in full). See Description of Capital Stock.

(c) The Lazard Group common membership interests held by LAZ-MD Holdings will be effectively exchangeable over time, on a one-for-one basis, for shares of our common stock, as described in The Separation and Recapitalization Transactions and the Lazard Organizational

Structure.   In connection with this offering, the number of Lazard Group common membership interests owned by LAZ-MD Holdings will be set to equal the difference between (1) 100,000,000 and (2) the number of Lazard Group common membership interests owned by Lazard Ltd (which will equal the number of shares of Lazard Ltd common stock outstanding following this offering) before giving effect to the possible exercise of the underwriters   over-allotment option, the exercise of which would have no additional effect on the number of Lazard Group common membership interests to be owned by LAZ-MD Holdings.

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IXIS Investment Agreement	Under the IXIS investment agreement, IXIS Corporate & Investment Bank, which we refer to in this prospectus as IXIS and which is a subsidiary of Caisse Nationale des Caisses d Epargne, has agreed to purchase an aggregate of $200 million of our securities concurrently with this offering, $150 million of which will be debt securities of a financing subsidiary that will be effectively exchangeable into shares of our common stock, which we refer to in this prospectus as the IXIS ESU placement, and $50 million of which will be shares of our common stock. The exchangeable securities issued in connection with the IXIS ESU placement will be the same as the equity security units issued in the ESU offering. The price per security to be paid by IXIS will be equal, in the case of shares of our common stock, to the price per share in this offering and, in the case of equity security units, the price per unit in the ESU Offering. See Description of Capital Stock IXIS Investment in Our Common Stock and Description of Indebtedness IXIS Investment in Exchangeable Debt Securities.
ESU Offering	Concurrently with this offering, we will offer, by means of a separate prospectus, equity security units for an aggregate offering amount of $250 million, plus an additional $37.5 million if the underwriters option to purchase additional equity security units is exercised in full. Each unit will consist of (a) a contract which will obligate holders to purchase, and Lazard Ltd to sell, on , 2008, a number of newly issued shares of our common stock equal to a settlement rate based on the trading price of our common stock during a period preceding that date and (b) a 1/40, or 2.5%, ownership interest in a senior note of Lazard Group Finance LLC, which we refer to in this prospectus as Lazard Group Finance, with a principal amount of $1,000.
	We will make quarterly contract adjustment payments on the purchase contracts, subject to our right to defer these payments. In general, during any period in which we defer contract adjustment payments, we cannot declare or pay dividends on, make distributions with respect to, or redeem, purchase or acquire, or make a liquidation payment with respect to, any of our capital stock.
	The senior notes of Lazard Group Finance will be senior obligations of Lazard Group Finance. The notes will mature on , 2035, or on such earlier date as we may elect in connection with the remarketing. In no event, however, will we reset the maturity date to be prior to , 2010. Lazard Group Finance will use the net proceeds from the ESU offering to purchase the senior notes from Lazard Group. The Lazard Group notes will be pledged to secure the obligations of Lazard Group Finance under the senior notes. The ability of Lazard Group

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	Finance to pay its obligations under the senior notes depends on its ability to obtain interest and principal payments on the Lazard Group notes.
	Upon a remarketing of the senior notes, in which the applicable interest rate, payment dates and maturity date on the notes will be reset and the notes remarketed, the interest rate, payment dates and maturity date on the Lazard Group notes also will be reset on the same terms such that the interest rate, payment dates and maturity date on the Lazard Group notes are the same as those for the senior notes. See Description of the Equity Security Units.
Debt Offering	Concurrently with this offering, we are privately placing senior notes to be issued by Lazard Group, which we refer to in this prospectus as the Lazard Group senior notes, for an aggregate offering amount of $650 million. The Lazard Group senior notes are being offered only to qualified institutional buyers in an offering exempt from the registration requirements of the Securities Act. See Description of Indebtedness Lazard Group Senior Notes.
Use of Proceeds	We will use the net proceeds from this offering, as well as the net proceeds from the additional financing transactions, primarily to redeem membership interests held by the historical partners, through the transactions described below.
By Lazard Ltd	Based upon an initial public offering price of $26.00 per share (the midpoint of the range of initial public offering prices set forth on the cover page of this prospectus), we expect to receive net proceeds from our sale of common stock in this offering of approximately $730 million after deducting underwriting discounts and commissions and estimated expenses. We will contribute all of the net proceeds of this offering to Lazard Group in exchange for the issuance of 30,464,579 common membership interests in Lazard Group, and for our controlling interest in Lazard Group. The price of each of the Lazard Group common membership interests that we acquire will equal the amount of net proceeds per share received by Lazard Ltd.
By Lazard Group	Lazard Group will use the net proceeds from the sale of the common membership interests to Lazard Ltd, along with the net proceeds of the additional financing transactions, primarily to redeem all of the classes of membership interests held by the historical partners for an aggregate redemption price of approximately $1.6 billion. In addition, $150 million of additional net proceeds will be transferred to LAZ-MD Holdings and LFCM Holdings. These funds will be available to fund the operating requirements of the separated businesses, LAZ-MD Holdings obligation to redeem its capital interests over time pursuant to

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the terms of the retention agreements with our managing directors and the managing directors of LFCM Holdings and for general corporate purposes. The remaining amounts of net proceeds will be retained by Lazard Group for its general corporate purposes, including the expected repayment of $50 million in aggregate principal amount of 7.53% Senior Notes due 2011 issued by a wholly-owned subsidiary of Lazard Group.

Voting Rights	Each share of our common stock will entitle its holder to one vote per share. The share of our Class B common stock is intended to allow our managing directors to individually vote in proportion to their indirect economic interests in us. Pursuant to the LAZ-MD Holdings stockholders agreement, the members of LAZ-MD Holdings will individually be entitled to direct LAZ-MD Holdings how to vote their proportionate interest in our Class B common stock on an as-if-exchanged basis. The single share of Class B common stock held by LAZ-MD Holdings will be entitled to 66,346,154 votes (representing approximately 66.3% of the voting power in our company), which is the number of Lazard Group common membership interests held by LAZ-MD Holdings immediately after the separation and recapitalization transactions. Specifically, on all matters submitted to a vote of our stockholders, the single share of Class B common stock held by LAZ-MD Holdings will entitle LAZ-MD Holdings to the number of votes equal to the number of shares of our common stock that would be issuable if all of the then outstanding Lazard Group common membership interests issued to LAZ-MD Holdings were exchanged for shares of our common stock on the applicable record date. The voting power of the Class B share will decrease proportionately as Lazard Group common membership interests are exchanged for shares of our common stock. In order to seek to avoid the possibility that LAZ-MD Holdings would be deemed to be an investment company for purposes of the Investment Company Act, the voting power of our outstanding Class B common stock will, however, represent no less than 50.1% of the voting power of our company until December 31, 2007. See The Separation and Recapitalization Transactions and the Lazard Organizational Structure and Description of Capital Stock. For a description of the LAZ-MD Holdings stockholders agreement addressing how LAZ-MD Holdings will vote its share of Class B common stock, see Certain Relationships and Related Transactions LAZ-MD Holdings Stockholders Agreement.
Economic Rights	Pursuant to our bye-laws, each share of our common stock is entitled to equal economic rights. However, the Class B common stock will have no rights to dividends or any liquidation preference.

Dividend Policy	We currently intend to declare quarterly dividends on all outstanding shares of our common stock and expect our initial quarterly dividend to be approximately $0.09 per share, payable in respect of the second quarter of 2005 (to be prorated for the portion of that quarter following the closing of this offering). The declaration of this and any other dividends and, if declared, the amount of any such dividend, will be subject to our actual future earnings, cash flow and capital requirements, the amount of distributions to us from Lazard Group and the discretion of our board of directors. For a discussion of the factors that will affect the determination by our board of directors to declare dividends, see Dividend Policy.
Risk Factors	For a discussion of factors you should consider before buying shares of common stock, see Risk Factors.
Proposed NYSE Symbol	LAZ

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Summary Consolidated Financial Data

The following table sets forth the historical summary consolidated income statement data for Lazard Group, including the separated businesses, for all periods presented. The table also presents certain pro forma consolidated financial data for Lazard Group and Lazard Ltd.

The historical financial statements do not reflect what our results of operations and financial position would have been had we been a stand-alone, public company for the periods presented. Specifically, our historical results of operations do not give effect to the matters set forth below.

The separation, which is described in more detail in The Separation and Recapitalization Transactions and the Lazard Organizational Structure and Management s Discussion and Analysis of Financial Condition and Results of Operations.

Payment for services rendered by Lazard Group s managing directors, which, as a result of Lazard Group operating as a limited liability company, historically has been accounted for as distributions from members capital, or in some cases as minority interest, rather than as employee compensation and benefits expense. As a result, Lazard Group s operating income historically has not reflected payments for services rendered by its managing directors. After this offering, we will include all payments for services rendered by our managing directors to us in employee compensation and benefits expense.

U.S. corporate federal income taxes, since Lazard Group has operated in the U.S. as a limited liability company that was treated as a partnership for U.S. federal income tax purposes. As a result, Lazard Group s income has not been subject to U.S. federal income taxes. Taxes related to income earned by partnerships represent obligations of the individual partners. Outside the U.S., Lazard Group historically has operated principally through subsidiary corporations and has been subject to local income taxes. Income taxes shown on Lazard Group s historical consolidated statements of income are attributable to taxes incurred in non-U.S. entities and to the New York City Unincorporated Business Tax, or UBT, attributable to Lazard Group s operations apportioned to New York City.

Minority interest expense reflecting LAZ-MD Holdings ownership of approximately 66.3% of the Lazard Group common membership interests outstanding immediately after this offering and the separation and recapitalization transactions.

The use of proceeds from this offering and the additional financing transactions.

The net incremental expense related to the additional financing transactions.

The unaudited pro forma data set forth below are derived from the unaudited pro forma condensed financial statements included elsewhere in this prospectus. The data reflect the separation and recapitalization transactions and the completion of this offering and the additional financing transactions as if they had occurred as of January 1, 2004, and are included for informational purposes only and do not purport to represent what our results of operations would actually have been had we operated as a separate, independent company during the period presented, nor does the pro forma data give effect to any events other than those discussed above and in the related notes. As a result, the pro forma operating results are not necessarily indicative of the operating results for any future period. See Unaudited Pro Forma Financial Information included elsewhere in this prospectus.

The historical consolidated statements of income data for the years ended December 31, 2000, 2001, 2002, 2003 and 2004 have been derived from Lazard Group s consolidated financial statements audited by Deloitte & Touche LLP, an independent registered public accounting firm. The audited

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consolidated financial statements for the years ended December 31, 2002, 2003 and 2004 are included elsewhere in this prospectus. The audited consolidated financial statements for the years ended December 31, 2000 and 2001 are not included in this prospectus. Historical results are not necessarily indicative of results for any future period.

The summary consolidated financial data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations, Unaudited Pro Forma Financial Information and Lazard Group s historical consolidated financial statements and related notes included elsewhere in this prospectus. See also The Separation and Recapitalization Transactions and the Lazard Organizational Structure.

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Summary Consolidated Financial Data

	For the Year Ended December 31,					For the Year Ended December 31, 2004, Pro Forma	
	2000	2001	2002	2003	2004	Lazard Group	Lazard Ltd
	($ in thousands, except per share data)						
Historical and Pro Forma							
Consolidated Statement of Income Data							
Net Revenue:							
Financial Advisory (a)	$ 766,856	$ 551,356	$ 532,896	$ 690,967	$ 655,200	$ 655,200	$ 655,200
Asset Management (b)	457,124	410,237					

(5) Rate indicated is the current yield as of August 31, 2011.

(6) See Note 10 of the financial statements for further disclosure.

See accompanying Notes to Financial Statements.

Statement of Assets & Liabilities

August 31, 2011

(Unaudited)

Assets	
Investments at fair value (cost $158,578,173)	$201,142,282
Receivable for Adviser expense reimbursement	52,184
Interest and dividend receivable	2,345,179
Prepaid expenses and other assets	185,305
Total assets	203,724,950
Liabilities	
Payable to Adviser	330,497
Accrued expenses and other liabilities	220,762
Unrealized depreciation of interest rate swap contracts	1,095,788
Current foreign tax liability	990
Short-term borrowings	12,100,000
Long-term debt obligations	20,000,000
Total liabilities	33,748,037
Net assets applicable to common stockholders	$169,976,913
Net Assets Applicable to Common Stockholders Consist of:	
Capital stock, $0.001 par value; 6,951,333 shares issued and outstanding (100,000,000 shares authorized)	$ 6,951
Additional paid-in capital	128,501,641
Undistributed net investment income	—
Undistributed net realized gain	—
Net unrealized appreciation of investments and interest rate swap contracts	41,468,321
Net assets applicable to common stockholders	$169,976,913
Net Asset Value per common share outstanding (net assets applicable to common stock, divided by common shares outstanding)	$ 24.45

Statement of Operations

Period from December 1, 2010 through August 31, 2011

(Unaudited)

Investment Income		
Distributions from master limited partnerships	$	2,542,875
Less return of capital on distributions		(2,442,092)
Net distributions from master limited partnerships		100,783
Interest from corporate bonds		5,799,090
Dividends from money market mutual funds		123
Total Investment Income		5,899,996

Operating Expenses		
Advisory fees		1,468,386
Professional fees		124,596
Administrator fees		61,827
Directors' fees		51,123
Stockholder communication expenses		42,677
Registration fees		18,599
Fund accounting fees		18,016
Franchise fees		15,012
Stock transfer agent fees		9,683
Custodian fees and expenses		7,210
Other operating expenses		18,751
Total Operating Expenses		1,835,880
Leverage Expenses		
Interest expense		469,340
Amortization of debt issuance costs		28,356
Other leverage expenses		49,516
Total Leverage Expenses		547,212
Total Expenses		2,383,092
Less expense reimbursement by Adviser		(231,850)
Net Expenses		2,151,242
Net Investment Income, before Current Foreign Tax Expense		3,748,754
Current foreign tax expense		(5,583)
Net Investment Income		3,743,171
Realized and Unrealized Gain on Investments and Interest Rate Swaps		
Net realized gain on investments		2,170,131
Net realized loss on interest rate swap settlements		(379,031)
Net realized gain on investments and interest rate swaps		1,791,100
Net unrealized appreciation of investments		2,233,347
Net unrealized depreciation of interest rate swap contracts		(110,764)
Net unrealized appreciation of investments and interest rate swap contracts		2,122,583
Net Realized and Unrealized Gain on Investments and Interest Rate Swaps		3,913,683
Net Increase in Net Assets Applicable to Common Stockholders Resulting from Operations	$	7,656,854

See accompanying Notes to Financial Statements.

Statement of Changes in Net Assets

	Period from December 1, 2010 through August 31, 2011 (Unaudited)	Year Ended November 30, 2010
Operations		
Net investment income	$ 3,743,171	$ 5,065,947
Net realized gain on investments and interest rate swaps	1,791,100	4,846,309
Net unrealized appreciation of investments and interest rate swap contracts	2,122,583	27,704,408
Net increase in net assets applicable to common stockholders resulting from operations	7,656,854	37,616,664
Distributions to Common Stockholders		
Net investment income	(4,096,936)	(4,333,154)
Net realized gain	(1,791,100)	(5,367,201)
Return of capital	(1,924,104)	(698,239)
Total distributions to common stockholders	(7,812,140)	(10,398,594)
Capital Stock Transactions		
Issuance of 10,347 and 42,505 common shares from reinvestment of distributions to stockholders	258,351	866,404
Net increase in net assets applicable to common stockholders from capital stock transactions	258,351	866,404
Total increase in net assets applicable to common stockholders	103,065	28,084,474
Net Assets		
Beginning of period	169,873,848	141,789,374
End of period	$ 169,976,913	$ 169,873,848
Undistributed net investment income, end of period	$ —	$ 353,765

See accompanying Notes to Financial Statements.

Statement of Cash Flows

Period from December 1, 2010 through August 31, 2011
(Unaudited)

Cash Flows From Operating Activities		
Distributions received from master limited partnerships	$	2,542,875
Interest and dividend income received		5,769,072
Purchases of long-term investments		(9,387,040)
Proceeds from sales of long-term investments		11,607,998
Proceeds from sales of short-term investments, net		5,980
Payments on interest rate swaps, net		(379,031)
Interest received on securities sold, net		94,709
Interest expense paid		(468,991)
Other leverage expenses paid		(11,100)
Income taxes paid		(6,254)
Operating expenses paid		(1,614,452)
Net cash provided by operating activities		8,153,766
Cash Flows From Financing Activities		
Advances from revolving line of credit		16,300,000
Repayments on revolving line of credit		(16,900,000)
Distributions paid to common stockholders		(7,553,766)
Net cash used in financing activities		(8,153,766)
Net change in cash		—
Cash — beginning of period		—
Cash — end of period	$	—
Reconciliation of net increase in net assets applicable to common stockholders resulting from operations to net cash provided by operating activities		
Net increase in net assets applicable to common stockholders resulting from operations	$	7,656,854
Adjustments to reconcile net increase in net assets applicable to common stockholders resulting from operations to net cash provided by operating activities:		
Purchases of long-term investments		(9,387,040)
Proceeds from sales of long-term investments		11,607,998
Proceeds from sales of short-term investments, net		5,980
Return of capital on distributions received		2,442,092
Net unrealized appreciation of investments and interest rate swap contracts		(2,122,583)
Net realized gain on investments		(2,170,131)
Amortization of market premium, net		218,176
Amortization of debt issuance costs		28,356
Changes in operating assets and liabilities:		
Increase in interest and dividend receivable		(153,609)
Decrease in prepaid expenses and other assets		19,657
Decrease in current foreign tax liability		(670)
Increase in payable to Adviser, net of		

expense reimbursement		8,075
Increase in accrued expenses and other liabilities		611
Total adjustments		496,912
Net cash provided by operating activities	$	8,153,766
Non-Cash Financing Activities		
Reinvestment of distributions by common stockholders		
in additional common shares	$	258,351

See accompanying Notes to Financial Statements.

Financial Highlights

	Period from December 1, 2010 through August 31, 2011 (Unaudited)	Year Ended November 30, 2010	Period from July 31, 2009(1) through November 30, 2009
Per Common Share Data(2)			
Net Asset Value, beginning of period	$ 24.47	$ 20.55	$ —
Public offering price	—	—	20.00
Income from Investment Operations			
Net investment income(3)	0.54	0.73	0.17
Net realized and unrealized gains on investments and interest rate swap contracts(3)	0.57	4.69	1.70
Total income from investment operations	1.11	5.42	1.87
Distributions to Common Stockholders			
Net investment income	(0.59)	(0.63)	(0.16)
Net realized gain	(0.26)	(0.77)	—
Return of capital	(0.28)	(0.10)	(0.22)
Total distributions to common stockholders	(1.13)	(1.50)	(0.38)
Underwriting discounts and offering costs on issuance of common stock	—	—	(0.94)
Net Asset Value, end of period	$ 24.45	$ 24.47	$ 20.55
Per common share market value, end of period	$ 24.41	$ 23.06	$ 19.18
Total Investment Return Based on Market Value(4)	10.77%	28.83%	(2.17)%
Total Investment Return Based on Net Asset Value(5)	4.56%	27.60%	4.82%
Supplemental Data and Ratios			
Net assets applicable to common stockholders, end of period (000's)	$ 169,977	$ 169,874	$ 141,789
Average net assets (000's)	$ 174,229	$ 156,685	$ 134,521
Ratio of Expenses to Average Net Assets(6)			
Advisory fees	1.13%	1.15%	1.06%
Other operating expenses	0.28	0.30	0.47
Expense reimbursement	(0.18)	(0.18)	(0.17)
Subtotal	1.23	1.27	1.36
Leverage expenses	0.42	0.52	0.43
Current foreign tax expense(7)	0.00	0.00	—
Total expenses	1.65%	1.79%	1.79%
Ratio of net investment income to average net assets before expense reimbursement(6)	2.68%	3.05%	2.38%
Ratio of net investment income to average net assets after expense reimbursement(6)	2.86%	3.23%	2.55%
Portfolio turnover rate(6)	6.08%	21.93%	2.97%
Short-term borrowings, end of period (000's)	$ 12,100	$ 12,700	$ 11,300
Long-term debt obligations, end of period (000's)	$ 20,000	$ 20,000	$ 20,000
Per common share amount of long-term debt obligations outstanding, end of period	$ 2.88	$ 2.88	$ 2.90
Per common share amount of net assets, excluding long-term debt obligations, end of period	$ 27.33	$ 27.35	$ 23.45
Asset coverage, per $1,000 of principal amount of long-term debt obligations and short-term borrowings(8)	$ 6,295	$ 6,195	$ 5,530

Asset coverage ratio of long-term debt obligations and short-term borrowings(8)	630%	619%	553%

(1) Commencement of Operations.
(2) Information presented relates to a share of common stock outstanding for the entire period.
(3) The per common share data for the year ended November 30, 2010 and the period from July 31, 2009 through November 30, 2009 do not reflect the change in estimate of investment income and return of capital, for the respective period. See Note 2C to the financial statements for further disclosure.
(4) Not annualized for periods less than one full year. Total investment return is calculated assuming a purchase of common stock at the beginning of the period (or initial public offering price) and a sale at the closing price on the last day of the period reported (excluding brokerage commissions). The calculation also assumes reinvestment of distributions at actual prices pursuant to the Company's dividend reinvestment plan.
(5) Not annualized for periods less than one full year. Total investment return is calculated assuming a purchase of common stock at the beginning of period (or initial public offering price) and a sale at net asset value on the last day of the period. The calculation also assumes reinvestment of distributions at actual prices pursuant to the Company's dividend reinvestment plan.
(6) Annualized for periods less than one full year.
(7) The Company accrued $5,583, $1,660 and $0 for the period from December 1, 2010 to August 31, 2011, the year ended November 30, 2010, and the period from July 31, 2009 through November 30, 2009, respectively, for current foreign tax expense. Ratio is less than 0.01% for the period from December 1, 2010 through August 31, 2011 and the year ended November 30, 2010.
(8) Represents value of total assets less all liabilities and indebtedness not represented by long-term debt obligations and short-term borrowings at the end of the period divided by long-term debt obligations and short-term borrowings outstanding at the end of the period.

See accompanying Notes to Financial Statements.

Notes to Financial Statements (Unaudited)

August 31, 2011

1. Organization

Tortoise Power and Energy Infrastructure Fund, Inc. (the "Company") was organized as a Maryland corporation on July 5, 2007, and is a non-diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the "1940 Act"). The Company's primary investment objective is to provide a high level of current income, with a secondary objective of capital appreciation. The Company seeks to provide its stockholders with a vehicle to invest in a portfolio consisting primarily of securities issued by power and energy infrastructure companies. The Company commenced operations on July 31, 2009. The Company's stock is listed on the New York Stock Exchange under the symbol "TPZ."

2. Significant Accounting Policies

A. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, recognition of distribution income and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

B. Investment Valuation

The Company primarily owns securities that are listed on a securities exchange or over-the-counter market. The Company values those securities at their last sale price on that exchange or over-the-counter market on the valuation date. If the security is listed on more than one exchange, the Company uses the price from the exchange that it considers to be the principal exchange on which the security is traded. Securities listed on the NASDAQ will be valued at the NASDAQ Official Closing Price, which may not necessarily represent the last sale price. If there has been no sale on such exchange or over-the-counter market on such day, the security will be valued at the mean between the last bid price and last ask price on such day.

The Company may invest up to 15 percent of its total assets in restricted securities. Restricted securities are subject to statutory or contractual restrictions on their public resale, which may make it more difficult to obtain a valuation and may limit the Company's ability to dispose of them. Investments in private placement securities and other securities for which market quotations are not readily available will be valued in good faith by using fair value procedures approved by the Board of Directors. Such fair value procedures consider factors such as discounts to publicly traded issues, time until conversion date, securities with similar yields, quality, type of issue, coupon, duration and rating. If events occur that affect the value of the Company's portfolio securities before the net asset value has been calculated (a "significant event"), the portfolio securities so affected will generally be priced using fair value procedures.

An equity security of a publicly traded company acquired in a direct placement transaction may be subject to restrictions on resale that can affect the security's liquidity and fair value. Such securities that are convertible or otherwise will become freely tradable will be valued based on the market value of the freely tradable security less an applicable discount. Generally, the discount will initially be equal to the discount at which the Company purchased the securities. To the extent that such securities are convertible or otherwise become freely tradable within a time frame that may be reasonably determined, an amortization schedule may be used to determine the discount.

The Company generally values debt securities at prices based on market quotations for such securities, except those securities purchased with 60 days or less to maturity are valued on the basis of amortized cost, which approximates market value.

The Company generally values its interest rate swap contracts using industry-accepted models which discount the estimated future cash flows based on the stated terms of the interest rate swap agreement by using interest rates currently available in the market, or based on dealer quotations, if available.

C. Security Transactions and Investment Income

Security transactions are accounted for on the date the securities are purchased or sold (trade date). Realized gains and losses are reported on an identified cost basis. Interest income is recognized on the accrual basis, including amortization of premiums and accretion of discounts. Dividend and distribution income is recorded on the ex-dividend date. Distributions received from the Company's investments in master limited partnerships ("MLPs") generally are comprised of ordinary income, capital gains and return of capital from the MLPs. The Company allocates distributions between investment income and return of capital based on estimates made at the time such distributions are received. Such estimates are based on information provided by each MLP and other industry sources. These estimates may subsequently be revised based on actual allocations received from MLPs after their tax reporting periods are concluded, as the actual character of these distributions is not known until after the fiscal year end of the Company.

For the period from December 1, 2009 through November 30, 2010, the Company estimated the allocation of investment income and return of capital for the distributions received from MLPs within the Statement of Operations. For this period, the Company had estimated approximately 10 percent of total distributions as investment income and approximately 90 percent as return of capital.

Subsequent to November 30, 2010, the Company reallocated the amount of investment income and return of capital it recognized for the period from December 1, 2009 through November 30, 2010 based on the 2010 tax reporting information received from the individual MLPs. This reclassification amounted to a decrease in net investment income of approximately $79,300 or $0.011 per share; an increase in unrealized appreciation of investments of approximately $169,900 or $0.024 per share and a decrease in realized gains of approximately $90,600 or $0.013 per share for the period from December 1, 2010 through August 31, 2011.

Subsequent to the period ended February 28, 2011, the Company reallocated the amount of investment income and return of capital recognized in the current fiscal year based on its revised 2011 estimates, after considering the final allocations from 2010. This reclassification amounted to a decrease in net investment income of approximately $50,100 or $0.007 per share and an increase in unrealized appreciation of investments of approximately $50,100 or $0.007 per share.

Notes to Financial Statements (Unaudited)
(Continued)

D. Distributions to Stockholders

Distributions to common stockholders are recorded on the ex-dividend date. The Company intends to make monthly cash distributions of its investment company income to common stockholders. In addition, on an annual basis, the Company may distribute additional capital gains in the last fiscal quarter if necessary to meet minimum distribution requirements and thus avoid being subject to excise taxes. The amount of any distributions will be determined by the Board of Directors. The character of distributions made during the year may differ from their ultimate characterization for federal income tax purposes. Distributions paid to stockholders in excess of investment company taxable income and net realized gains will be treated as return of capital to stockholders. For the year ended November 30, 2010, the Company's distributions were comprised of 87 percent ordinary income, 6 percent long-term capital gain and 7 percent return of capital. The tax character of distributions paid to common stockholders for the current year will be determined subsequent to November 30, 2011.

E. Federal Income Taxation

The Company qualifies as a regulated investment company ("RIC") under the U.S. Internal Revenue Code of 1986, as amended (the "Code"). As a result, the Company generally will not be subject to U.S. federal income tax on income and gains that it distributes each taxable year to stockholders if it meets certain minimum distribution requirements. The Company is required to distribute substantially all of its income, in addition to other asset diversification requirements. The Company is subject to a 4 percent non-deductible U.S. federal excise tax on certain undistributed income unless the Company makes sufficient distributions to satisfy the excise tax avoidance requirement. The Company invests in MLPs, which generally are treated as partnerships for federal income tax purposes. As a limited partner in the MLPs, the Company reports its allocable share of the MLP's taxable income in computing its own taxable income.

The Company has adopted financial reporting rules regarding recognition and measurement of tax positions taken or expected to be taken on a tax return. The Company has reviewed all open tax years and major jurisdictions and concluded that there is no impact on the Company's net assets and no tax liability resulting from unrecognized tax benefits relating to uncertain income tax positions taken or expected to be taken on a tax return. All tax years since inception remain open to examination by federal and state tax authorities.

F. Offering and Debt Issuance Costs

Offering costs related to the issuance of common stock are charged to additional paid-in capital when the stock is issued. Debt issuance costs related to long-term debt obligations are capitalized and amortized over the period the debt is outstanding.

G. Derivative Financial Instruments

The Company uses derivative financial instruments (principally interest rate swap contracts) to manage interest rate risk. The Company has established policies and procedures for risk assessment and the approval, reporting and monitoring of derivative financial instrument activities. The Company does not hold or issue derivative financial instruments for speculative purposes. All derivative financial instruments are recorded at fair value with changes in fair value during the reporting period, and amounts accrued under the agreements, included as unrealized gains or losses in the Statement of Operations. Cash settlements under the terms of the interest rate swap agreements and termination of such agreements are recorded as realized gains or losses in the Statement of Operations.

H. Indemnifications

Under the Company's organizational documents, its officers and directors are indemnified against certain liabilities arising out of the performance of their duties to the Company. In addition, in the normal course of business, the Company may enter into contracts that provide general indemnification to other parties. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred, and may not occur. However, the Company has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

I. Recent Accounting Pronouncement

In May 2011, the FASB issued ASU No. 2011-04 “Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements” in GAAP and the International Financial Reporting Standards (“IFRSs”). ASU No. 2011-04 amends FASB ASC Topic 820, Fair Value Measurements and Disclosures, to establish common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with GAAP and IFRSs. ASU No. 2011-04 is effective for fiscal years beginning after December 15, 2011 and for interim periods within those fiscal years. Management is currently evaluating the impact of these amendments and does not believe they will have a material impact on the Company’s financial statements.

3. Concentration of Risk

Under normal circumstances, the Company intends to invest at least 80 percent of total assets (including assets obtained through potential leverage) in securities of companies that derive more than 50 percent of their revenue from power or energy operations and no more than 25 percent of the total assets in equity securities of MLPs as of the date of purchase. The Company will invest a minimum of 60 percent of total assets in fixed income securities, which may include up to 25 percent of its assets in non-investment grade rated fixed income securities. In determining application of these policies, the term “total assets” includes assets obtained through leverage. Companies that primarily invest in a particular sector may experience greater volatility than companies investing in a broad range of industry sectors. The Company may, for defensive purposes, temporarily invest all or a significant portion of its assets in investment grade securities, short-term debt securities and cash or cash equivalents. To the extent the Company uses this strategy, it may not achieve its investment objective.

Notes to Financial Statements (Unaudited)
(Continued)

4. Agreements

The Company has entered into an Investment Advisory Agreement with Tortoise Capital Advisors, L.L.C. (the "Adviser"). Under the terms of the agreement, the Company pays the Adviser a fee equal to an annual rate of 0.95 percent of the Company's average monthly total assets (including any assets attributable to leverage) minus accrued liabilities (other than debt entered into for purposes of leverage and the aggregate liquidation preference of outstanding preferred stock) ("Managed Assets"), in exchange for the investment advisory services provided. The Adviser has agreed to a fee waiver of 0.15 percent of average monthly Managed Assets for the period from July 31, 2009 through December 31, 2011, and a fee waiver of 0.10 percent of average monthly Managed Assets for the period from January 1, 2012 through December 31, 2012.

U.S. Bancorp Fund Services, LLC serves as the Company's administrator. The Company pays the administrator a monthly fee computed at an annual rate of 0.04 percent of the first $1,000,000,000 of the Company's Managed Assets, 0.03 percent on the next $1,000,000,000 of Managed Assets and 0.02 percent on the balance of the Company's Managed Assets.

Computershare Trust Company, N.A. serves as the Company's transfer agent and registrar and Computershare Inc. serves as the Company's dividend paying agent and agent for the automatic dividend reinvestment plan.

U.S. Bank, N.A. serves as the Company's custodian. The Company pays the custodian a monthly fee computed at an annual rate of 0.004 percent on the average daily market value of the Company's portfolio assets, subject to a minimum annual fee of $4,800, plus portfolio transaction fees.

5. Income Taxes

It is the Company's intention to continue to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code and distribute all of its taxable income. Accordingly, no provision for federal income taxes is required in the financial statements.

The amount and character of income and capital gain distributions to be paid, if any, are determined in accordance with federal income tax regulations, which may differ from U.S. generally accepted accounting principles. These differences are primarily due to differences in the timing of recognition of gains or losses on investments. Permanent book and tax basis differences, if any, may result in reclassifications to undistributed net investment income (loss), accumulated net realized gain (loss) and additional paid-in capital.

As of November 30, 2010, the components of accumulated earnings on a tax basis were as follows:

Unrealized appreciation	$ 39,732,441
Other temporary differences	(32,877)
Accumulated earnings	$ 39,699,564

As of August 31, 2011, the aggregate cost of securities for federal income tax purposes was $153,655,068. The aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost was $47,513,679, the aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value was $26,465 and the net unrealized appreciation was $47,487,214.

6. Fair Value of Financial Instruments

Various inputs are used in determining the value of the Company's investments. These inputs are summarized in the three broad levels listed below:

Level 1 — quoted prices in active markets for identical investments

Level 2 — other significant observable inputs (including quoted prices for similar investments, market corroborated inputs, etc.)

Level 3 — significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following table provides the fair value measurements of applicable Company assets and liabilities by level within the fair value hierarchy as of August 31, 2011. These assets and liabilities are measured on a recurring basis.

Description	Fair Value at August 31, 2011	Level 1	Level 2	Level 3
Assets				
Debt Securities:				
Corporate Bonds(a)	$ 118,099,943	$ 5,316,150	$ 112,783,793	$ —
Total Debt Securities	118,099,943	5,316,150	112,783,793	—
Equity Securities:				
Master Limited Partnerships and Related Companies(a)	82,990,451	82,990,451	—	—
Total Equity Securities	82,990,451	82,990,451	—	—
Other:				
Short-Term Investment(b)	51,888	51,888	—	—
Total Other	51,888	51,888	—	—
Total Assets	$ 201,142,282	$ 88,358,489	$ 112,783,793	$ —
Liabilities				
Interest Rate Swap Contracts	$ 1,095,788	$ —	$ 1,095,788	$ —
Total	$ 200,046,494	$ 88,358,489	$ 111,688,005	$ —

(a) All other industry classifications are identified in the Schedule of Investments.
(b) Short-term investment is a sweep investment for cash balances in the Company at August 31, 2011.

Notes to Financial Statements (Unaudited)

(Continued)

Valuation Techniques

In general, and where applicable, the Company uses readily available market quotations based upon the last updated sales price from the principal market to determine fair value. This pricing methodology applies to the Company's Level 1 investments.

Some debt securities are fair valued using a market value obtained from an approved pricing service which utilizes a pricing matrix based upon yield data for securities with similar characteristics or from a direct written broker-dealer quotation from a dealer who has made a market in the security. This pricing methodology applies to the Company's Level 2 assets.

Interest rate swap contracts are valued by using industry-accepted models which discount the estimated future cash flows based on a forward rate curve and the stated terms of the interest rate swap agreement by using interest rates currently available in the market, or based on dealer quotations, if available, which applies to the Company's Level 2 liabilities.

The Company utilizes the beginning of reporting period method for determining transfers between levels. There were no transfers between levels for the period from December 1, 2010 through August 31, 2011.

7. Restricted Securities

Certain of the Company's investments are restricted and are valued as determined in accordance with procedures established by the Board of Directors, as more fully described in Note 2. The table below shows the principal amount, acquisition date(s), acquisition cost, fair value and the percent of net assets which the securities comprise at August 31, 2011.

Investment Security	Principal Amount	Acquisition Date(s)	Acquisition Cost	Fair Value	Fair Value as Percent of Net Assets
DCP Midstream LLC, 9.750%, 03/15/2019	$ 4,000,000	08/07/09-08/27/09	$ 4,769,350	$ 5,367,380	3.2%
Enogex LLC, 6.250%, 03/15/2020	4,000,000	02/26/10-04/22/10	4,118,593	4,591,728	2.7
Florida Gas Transmission Co., LLC, 5.450%, 07/15/2020	1,500,000	07/08/10-01/04/11	1,551,220	1,688,098	1.0
IPALCO Enterprises, Inc., 7.250%, 04/01/2016	4,000,000	11/03/09-01/04/11	4,165,000	4,287,060	2.5
Midcontinent Express Pipelines, LLC, 6.700%, 09/15/2019	6,000,000	09/09/09-03/02/10	6,055,570	6,893,880	4.1
NGPL PipeCo LLC, 7.119%, 12/15/2017	4,000,000	07/29/10-09/28/10	4,280,000	4,316,644	2.5
North American Energy Alliance LLC, 10.875%, 06/01/2016	2,800,000	09/24/09-10/08/09	2,895,000	2,982,000	1.8
Source Gas, LLC, 5.900%, 04/01/2017	5,770,000	04/21/10	5,544,521	6,020,124	3.5
Southern Star Central Gas Pipeline, Inc., 6.000%, 06/01/2016	2,000,000	08/24/09	1,970,000	2,251,800	1.3
			$ 35,349,254	$ 38,398,714	22.6%

8. Investment Transactions

For the period from December 1, 2010 through August 31, 2011, the Company purchased (at cost) and sold securities (proceeds received) in the amount of $9,387,040 and $11,607,998 (excluding short-term debt securities), respectively.

9. Long-Term Debt Obligations

The Company has $20,000,000 aggregate principal amount of Series A private senior notes (the "Notes") outstanding. Holders of the Notes are entitled to receive quarterly cash interest payments at an annual rate that resets each quarter based on the 3-month LIBOR plus 1.87 percent. The Notes are not listed on any exchange or automated quotation system.

The Notes are unsecured obligations of the Company and, upon liquidation, dissolution or winding up of the Company, will rank: (1) senior to all of the Company's outstanding preferred shares (if any); (2) senior to all of the Company's outstanding common shares; (3) on parity with any unsecured creditors of the Company and any unsecured senior securities representing indebtedness of the Company and (4) junior to any secured creditors of the Company.

The Notes are redeemable in certain circumstances at the option of the Company. The Notes are also subject to a mandatory redemption if the Company fails to meet asset coverage ratios required under the 1940 Act or the rating agency guidelines if such failure is not waived or cured. At August 31, 2011, the Company was in compliance with asset coverage covenants and basic maintenance covenants for its senior notes.

At August 31, 2011, the fair value of the Series A Notes approximates the carrying amount because the interest rate fluctuates with changes in interest rates available in the current market. The following table shows the maturity date, notional/carrying amount, current rate as of August 31, 2011, and the weighted-average rate for the period from December 1, 2010 through August 31, 2011.

Series	Maturity Date	Notional/ Carrying Amount	Current Rate	Weighted-Average Rate
Series A	November 6, 2014	$20,000,000	2.14%	2.16%

Notes to Financial Statements (Unaudited)
(Continued)

10. Interest Rate Swap Contracts

The Company has entered into interest rate swap contracts in an attempt to protect itself from increasing interest expense on its leverage resulting from increasing short-term interest rates. A decline in interest rates may result in a decline in the value of the swap contracts, which may result in a decline in the net assets of the Company. At the time the interest rate swap contracts reach their scheduled termination, there is a risk that the Company would not be able to obtain a replacement transaction, or that the terms of the replacement would not be as favorable as on the expiring transaction. In addition, if the Company is required to terminate any swap contract early due to the Company failing to maintain a required 300 percent asset coverage of the liquidation value of the outstanding senior notes or if the Company loses its credit rating on its senior notes, then the Company could be required to make a termination payment, in addition to redeeming all or some of the senior notes. Details of the interest rate swap contracts outstanding as of August 31, 2011, are as follows:

Counterparty	Maturity Date	Notional Amount	Fixed Rate Paid by the Company	Floating Rate Received by the Company	Asset (Liability) Derivatives
Wells Fargo Bank, N.A.	11/06/2011	$ 6,000,000	1.12%	1-month U.S. Dollar LIBOR	$ (13,671)
Wells Fargo Bank, N.A.	11/06/2012	5,000,000	1.81%	3-month U.S. Dollar LIBOR	(86,697)
Wells Fargo Bank, N.A.	11/06/2012	1,000,000	1.73%	1-month U.S. Dollar LIBOR	(17,364)
Wells Fargo Bank, N.A.	11/06/2014	15,000,000	2.66%	3-month U.S. Dollar LIBOR	(978,056)
		$ 27,000,000			$ (1,095,788)

The Company is exposed to credit risk on the interest rate swap contracts if the counterparty should fail to perform under the terms of the interest rate swap contracts. The amount of credit risk is limited to the net appreciation of the interest rate swap contracts, if any, as no collateral is pledged by the counterparty. In addition, if the counterparty to the interest rate swap contracts defaults, the Company would incur a loss in the amount of the receivable and would not receive amounts due from the counterparty to offset the interest payments on the Company's leverage.

The change in unrealized depreciation of interest rate swap contracts in the amount of $110,764 is included in the Statement of Operations for the period ended August 31, 2011. Cash settlement payments under the terms of the interest rate swap contracts in the amount of $379,031 are recorded as realized losses for the period ended August 31, 2011. The total notional amount of all open swap agreements at August 31, 2011 is indicative of the volume of this derivative type for the period ended August 31, 2011.

11. Credit Facility

On September 14, 2010, the Company entered into an amendment to its credit facility that extends the credit facility through September 14, 2011. U.S. Bank, N.A. serves as a lender and the leading syndicate agent on behalf of other lenders participating in the credit facility. The terms of the amendment provide for an unsecured revolving credit facility of $18,000,000. During the extension, outstanding balances generally will accrue interest at a variable annual rate equal to one-month LIBOR plus 1.25 percent and unused portions of the credit facility will accrue a non-usage fee equal to an annual rate of 0.20 percent.

The average principal balance and interest rate for the period during which the credit facility was utilized during the period ended August 31, 2011 was approximately $11,700,000 and 1.48 percent, respectively. At August 31, 2011, the principal balance outstanding was $12,100,000 at an interest rate of 1.47 percent.

Under the terms of the credit facility, the Company must maintain asset coverage required under the 1940 Act. If the Company fails to maintain the required coverage, it may be required to repay a portion of an outstanding balance until the coverage requirement has been met. At August 31, 2011, the Company was in compliance with the terms of the credit facility.

12. Common Stock

The Company has 100,000,000 shares of capital stock authorized and 6,951,333 shares outstanding at August 31, 2011. Transactions in common stock for the period ended August 31, 2011, were as follows:

Shares at November 30, 2010	6,940,986
Shares issued through reinvestment of distributions	10,347
Shares at August 31, 2011	6,951,333

13. Subsequent Events

On September 14, 2011, the Company entered into an amendment to its credit facility that extends the credit facility through September 14, 2012. The terms of the amendment provide for an unsecured revolving credit facility of $18,000,000. During the extension, outstanding balances generally will accrue interest at a variable annual rate equal to one-month LIBOR plus 1.25 percent and unused portions of the credit facility will accrue a non-usage fee equal to an annual rate of 0.20 percent.

On September 30, 2011, the Company paid a distribution in the amount of $0.125 per common share, for a total of $868,917. Of this total, the dividend reinvestment amounted to $114,073.

The Company has performed an evaluation of subsequent events through the date the financial statements were issued and has determined that no additional items require recognition or disclosure.

Additional Information (Unaudited)

Director and Officer Compensation

The Company does not compensate any of its directors who are "interested persons," as defined in Section 2(a)(19) of the 1940 Act, nor any of its officers. For the period ended August 31, 2011, the aggregate compensation paid by the Company to the independent directors was $81,750. The Company did not pay any special compensation to any of its directors or officers.

Forward-Looking Statements

This report contains "forward-looking statements" within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. By their nature, all forward-looking statements involve risks and uncertainties, and actual results could differ materially from those contemplated by the forward-looking statements. Several factors that could materially affect the Company's actual results are the performance of the portfolio of investments held by it, the conditions in the U.S. and international financial, petroleum and other markets, the price at which shares of the Company will trade in the public markets and other factors discussed in filings with the SEC.

Proxy Voting Policies

A description of the policies and procedures that the Company uses to determine how to vote proxies relating to portfolio securities owned by the Company and information regarding how the Company voted proxies relating to the portfolio of securities during the 12-month period ended June 30, 2011 are available to stockholders (i) without charge, upon request by calling the Company at (913) 981-1020 or toll-free at (866) 362-9331 and on the Company's Web site at www.tortoiseadvisors.com; and (ii) on the SEC's Web site at www.sec.gov.

Form N-Q

The Company files its complete schedule of portfolio holdings for the first and third quarters of each fiscal year with the SEC on Form N-Q. The Company's Form N-Q is available without charge upon request by calling the Company at (866) 362-9331 or by visiting the SEC's Web site at www.sec.gov. In addition, you may review and copy the Company's Form N-Q at the SEC's Public Reference Room in Washington D.C. You may obtain information on the operation of the Public Reference Room by calling (800) SEC-0330.

The Company's Form N-Qs are also available on the Company's Web site at www.tortoiseadvisors.com.

Statement of Additional Information

The Statement of Additional Information ("SAI") includes additional information about the Company's directors and is available upon request without charge by calling the Company at (866) 362-9331 or by visiting the SEC's Web site at www.sec.gov.

Certifications

The Company's Chief Executive Officer has submitted to the New York Stock Exchange the annual CEO certification as required by Section 303A.12(a) of the NYSE Listed Company Manual.

The Company has filed with the SEC, as an exhibit to its most recently filed N-CSR, the certification of its Chief Executive Officer and Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act.

Privacy Policy

In order to conduct its business, the Company collects and maintains certain nonpublic personal information about its stockholders of record with respect to their transactions in shares of the Company's securities. This information includes the stockholder's address, tax identification or Social Security number, share balances, and distribution elections. We do not collect or maintain personal information about stockholders whose share balances of our securities are held in "street name" by a financial institution such as a bank or broker.

We do not disclose any nonpublic personal information about you, the Company's other stockholders or the Company's former stockholders to third parties unless necessary to process a transaction, service an account, or as otherwise permitted by law.

To protect your personal information internally, we restrict access to nonpublic personal information about the Company's stockholders to those employees who need to know that information to provide services to our stockholders. We also maintain certain other safeguards to protect your nonpublic personal information.

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STOCK SYMBOL
Listed NYSE Symbol: TPZ

This report is for stockholder information. This is not a prospectus intended for use in the purchase or sale of fund shares. Past performance is no guarantee of future results and your investment may be worth more or less at the time you sell.

Tortoise Capital Advisors' Public Investment Companies

Name	Ticker/ Inception Date	Primary Target Investments	Investor Suitability	Total Assets as of 9/30/11 ($ in millions)
Tortoise Power and Energy Infrastructure Fund, Inc.	TPZ July 2009	U.S. Power and Energy Investment Grade Debt and Dividend-Paying Equity Securities	Retirement Accounts Pension Plans Taxable Accounts	$199
Tortoise Energy Infrastructure Corp.	TYG Feb. 2004	U.S. Energy Infrastructure	Retirement Accounts Pension Plans Taxable Accounts	$1,439
Tortoise Energy Capital Corp.	TYY May 2005	U.S. Energy Infrastructure	Retirement Accounts Pension Plans Taxable Accounts	$746

Tortoise North American Energy Corp.	TYN Oct. 2005	U.S. Energy Infrastructure	Retirement Accounts Pension Plans Taxable Accounts	$193
Tortoise MLP Fund, Inc.	NTG July 2010	U.S. Energy Infrastructure Natural Gas Energy Infrastructure Emphasis	Retirement Accounts Pension Plans Taxable Accounts	$1,466
Tortoise Capital Resources Corp.	TTO Dec. 2005 (Feb. 2007 – IPO)	U.S. Energy Infrastructure Private and Micro Cap Public Companies	Retirement Accounts Pension Plans Taxable Accounts	$104 (as of 8/31/11)