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

DIVISION OF
CORPORATION FINANCE

October 31, 2003

Raphael M. Russo, Esq.
Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, New York 10019-6064

Re: Lehman Brothers Inc. – Waiver Request under Regulation A and Rule 505 of Regulation D

Dear Mr. Russo:

This is in response to your letter dated October 31, 2003, written on behalf of Lehman Brothers Inc. (the "Firm") and constituting an application for relief under Rule 262 of Regulation A and Rule 505(b)(2)(iii)(C) of Regulation D under the Securities Act of 1933. You requested relief from disqualifications from exemptions available under Regulation A and Rule 505 of Regulation D that arise by virtue of the entry today of the injunction included in the Final Judgment in *Securities and Exchange Commission v. Lehman Brothers Inc.* (S.D.N.Y.) (the "Final Judgment"). You also requested relief under those provisions from disqualifications that arise by virtue of the entry of an order, judgment or decree of a U.S. state or territorial court addressing the same conduct and based on the same facts as the conduct and facts addressed in the complaint that resulted in the entry of the Final Judgment.

For purposes of this letter, we have assumed as facts the representations set forth in your letter. We also have assumed that the Firm will comply with the Final Judgment and any such state or territorial court order, judgment or decree.

On the basis of your letter, the Commission, pursuant to delegated authority, has determined that you have made a showing of good cause under Rule 262 and Rule 505(b)(2)(iii)(C) that it is not necessary under the circumstances to deny the exemptions available under Regulation A and Rule 505 of Regulation D by reason of the entry of the Final Judgment or any state or territorial court injunction of the nature described above. Accordingly, the relief described above from the disqualifying provisions of Regulation A and Rule 505 of Regulation D is hereby granted.

Sincerely,

Mauri Osheroff
Associate Director, Regulatory Policy

PAUL, WEISS, RIFKIND, WHARTON & GARRISON LLP

1285 AVENUE OF THE AMERICAS
NEW YORK, NEW YORK 10019-6064
TELEPHONE (212) 373-3000
FACSIMILE (212) 757-3990

LLOYD K. GARRISON (1946-1991)
RANDOLPH E. PAUL (1946-1956)
SIMON H. RIFKIND (1950-1995)
LOUIS S. WEISS (1927-1950)
JOHN F. WHARTON (1927-1977)

WRITER'S DIRECT DIAL NUMBER

212-373-3309
WRITER'S DIRECT FACSIMILE

212-492-0309
WRITER'S DIRECT E-MAIL ADDRESS

rrusso@paulweiss.com

1615 L STREET, NW
WASHINGTON, DC 20036-5694
TELEPHONE (202) 223-7300
FACSIMILE (202) 223-7420

62, RUE DU FAUBOURG SAINT-HONORÉ
75008 PARIS, FRANCE
TELEPHONE (33 1) 53 43 14 14
FACSIMILE (33 1) 53 43 00 23

FUKOKU SEIMEI BUILDING
2-2 UCHISAIWAICHO 2-CHOME
CHIYODA-KU, TOKYO 100-0011, JAPAN
TELEPHONE (81-3) 3597-8101
FACSIMILE (81-3) 3597-8120

2918 CHINA WORLD TOWER II
NO. 1 JIANGUOMENWAI DAJIE
BEIJING, 100004
PEOPLE'S REPUBLIC OF CHINA
TELEPHONE (86-10) 6505-6822
FACSIMILE (86-10) 6505-6850

12TH FLOOR, HONG KONG CLUB BUILDING
3A CHATER ROAD, CENTRAL
HONG KONG
TELEPHONE (852) 2536-9933
FACSIMILE (852) 2536-9622

ALDER CASTLE
10 NOBLE STREET
LONDON EC2V 7JU, U.K.
TELEPHONE (44 20) 7367 1600
FACSIMILE (44 20) 7367 1650

NEALE M. ALBERT
MARK M. ALCOTT
ALLAN J. ARFFA
ROBERT A. ATKINS
JOHN F. BAUGHMAN
DANIEL J. BELLER
MITCHELL L. BERG
MARK S. BERGMAN
BRUCE BIRENBOIM
H. CHRISTOPHER BOEHNING
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JEANETTE K. CHAN
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LEWIS R. CLAYTON
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KELLEY A. CORNISH
GOUGLAS R. DAVIS
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LESLIE GORDON FAGEN
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PETER L. FELCHER
PETER E. FISCH
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MEREDITH J. KANE
ROBERTA A. KAPLAN
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FRED KINMONTH*
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DAVID K. LAKHDHIR
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KELLEY D. PARKER
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MARC E. PERLMUTTER
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LEONARD V. QUIGLEY
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CAREY R. RAMOS
MICHAEL S. REEDE*
CARL L. REISNER
WALTER RIEMAN
SIDNEY S. ROSDEITCHER
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ANDREW N. ROSENBERG
STEVEN B. ROSENFELD
PETER J. ROTHENBERG
RAPHAEL M. RUSSO
JEFFREY D. SAFERSTEIN
JEFFREY B. SAMUELS
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MICHAEL J. SEGAL
STEPHEN J. SHIMSHAK
DAVID R. SICULAR
MOSES SILVERMAN
STEVEN SIMKIN
MARILYN SOBEL
PHILLIP L. SPECTOR*
STUART G. STEINGOLD
AIDAN SYNNOTT
JUDITH R. THOYER
MARK A. UNDERBERG
MARIA T. VULLO
THEODORE V. WELLS, JR.
STEVEN L. WOLFRAM
LISA YANG
JORDAN E. YARETT
ALFRED D. YOUNGWOOD

*NOT ADMITTED TO NEW YORK BAR.

October 31, 2003

Federal Express

Gerald J. Laporte
Chief, Office of Small Business Policy
Division of Corporation Finance
U.S. Securities and Exchange Commission
450 Fifth Street, N.W., Room 3501
Washington D.C. 20549-0310

Re: Lehman Brothers Inc.

Dear Mr. Laporte:

We submit this letter on behalf of our client, Lehman Brothers Inc. ("Lehman"), in connection with a settlement agreement (the "Settlement") arising out of a joint investigation by the Securities and Exchange Commission (the "Commission"), the New York Stock Exchange, Inc. (the "NYSE"), NASD Regulation, Inc. ("NASDR") and various U.S. state and territorial regulatory agencies (the "States") into research analyst conflicts of interest at Lehman and several other large investment banking firms.

Lehman below requests, pursuant to Rule 262 of Regulation A and Rule 505(b)(2)(iii)(C) of Regulation D of the Commission promulgated under the Securities Act of 1933 (the "Securities Act"), a waiver of any disqualification from exemptions under Regulation A and Rule 505 of Regulation D that may be applicable to Lehman and any of its affiliates as a result of the entry of the Final Judgment (as defined below) and any related disqualifying order, judgment, or decree of a state or territorial court

addressing the same conduct as is addressed in the Complaint (as defined below). Lehman also requests that these waivers be granted effective upon entry of the Final Judgment or such state or territorial court order, judgment, or decree. It is our understanding that the Division of Enforcement does not object to the grant of the requested waivers by the Division of Corporate Finance.

BACKGROUND

The Commission, the NYSE, the NASDR and the States engaged in settlement discussions with Lehman in connection with the joint investigation described above. As a result of these discussions, the Commission has filed a complaint (the "Complaint") against Lehman in the United States District Court for the Southern District of New York (the "District Court") in a civil action captioned Securities and Exchange Commission v. Lehman Brothers Inc. Lehman executed a consent and undertaking (the "Consent") in which Lehman neither admitted nor denied any of the allegations in the Complaint, except as to jurisdiction, but consented to the entry of a final judgment against Lehman by the District Court (the "Final Judgment"). The Final Judgment, entered by the District Court on October 31, 2003, among other things, enjoins Lehman, directly or through its officers, directors, agents and employees, from violating rules cited in the Final Judgment. Additionally, the Final Judgment orders Lehman to make payments aggregating $80 million in settlement of the matters addressed in the Final Judgment, and to comply with the undertakings set forth in the Final Judgment.[1]

DISCUSSION

Lehman understands that the entry of the Final Judgment could disqualify it and its affiliated entities from participating in certain offerings otherwise exempt under Regulation A and Rule 505 of Regulation D promulgated under the Securities Act, insofar as the Final Judgment may be deemed to cause Lehman to be subject to an order, judgment or decree of a court of competent jurisdiction enjoining Lehman from engaging in or continuing to engage in any conduct or practice in connection with the purchase or sale of a security. The Commission has the authority to waive the Regulation A and Rule 505 of Regulation D exemption disqualifications upon a showing of good cause that such disqualifications are not necessary under the circumstances. *See* 17 C.F.R. §§ 230.262 and 230.505(b)(2)(iii)(C). Lehman requests that the Commission waive any disqualifying effects that the Final Judgment may have under Regulation A and Rule 505 of Regulation D with respect to Lehman or its affiliates on the following grounds:

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[1] Lehman has additionally entered into settlement agreements relating to the activities referred to in the Complaint with the relevant state and territorial agencies (the "State Settlement Agreements"). To the extent that any such State Settlement Agreement results in an injunction by a court of competent jurisdiction, Lehman intends this request to cover any resulting disqualifications under Regulation A and Rule 505 of Regulation D.

1. Lehman's conduct addressed in the Final Judgment and alleged in the Complaint does not relate to offerings under Regulation A or Rule 505 of Regulation D.

2. Lehman will undertake or has undertaken to improve and enhance its compliance and surveillance policies and procedures in a manner reasonably designed to ensure compliance with the provisions of the Final Judgment as outlined in Addendum A to the Final Judgment (the "Term Sheet").

3. The disqualification of Lehman from the exemptions under Regulation A and Rule 505 of Regulation D would, we believe, have an adverse impact on third parties that have retained, or may seek to retain, Lehman and its affiliates in connection with transactions that rely on these exemptions.

4. The disqualification of Lehman from the exemptions available under Regulation A and Rule 505 of Regulation D would be unduly and disproportionately severe, given that (i) the Final Judgment relates to activity which has already been addressed pursuant to recently adopted rules of the Commission, NYSE and NASDR and pursuant to the Term Sheet and (ii) the Commission staff has negotiated a settlement with Lehman and reached a satisfactory conclusion to this matter that will require Lehman to make payments aggregating $80 million in settlement of the matters addressed in the Final Judgment and will require Lehman to make certain structural changes pursuant to the Term Sheet, as well as to make available to Lehman's customers certain research prepared by third-party research providers.

In light of the foregoing, we believe that disqualification is not necessary, in the public interest or for the protection of investors, and that Lehman has shown good cause that relief should be granted. Accordingly, we respectfully request the Commission, pursuant to Rule 262 of Regulation A and Rule 505(b)(2)(iii)(C) of Regulation D, to waive, effective upon entry of the Final Judgment and any related disqualifying order, judgment, or decree of a U.S. state or territorial court based on the same facts and addressing the same conduct as is addressed in the Complaint, the disqualification provisions in Regulation A and Rule 505 of Regulation D to the extent they may be applicable to Lehman and any of its affiliates as a result of the entry of the Final Judgment and any such order, judgment, or decree.[2]

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[2] We note in support of this request that the Commission has in other instances granted relief under Rule 262 of Regulation A and Rule 505(b)(2)(iii)(C) of Regulation D for similar reasons. *See, e.g.*, Credit Suisse First Boston Corporation, S.E.C. No-Action Letter (pub. avail. Jan. 29, 2002); Dain Rauscher, Incorporated, S.E.C. No-Action Letter (pub. avail. Sept. 27, 2001); Legg Mason Wood Walker, Incorporated, S.E.C. No-Action Letter (pub. avail. June 11, 2001); In the Matter of Certain Market-Making Activities, S.E.C. No-Action Letter (pub. avail. Jan. 11, 1999); Stephens Incorporated, S.E.C. No-Action Letter (pub. avail. Nov. 23, 1998).

Please do not hesitate to contact the undersigned at (212) 373-3309 or Audrey Woo at (212) 373-3581 regarding this request.

Sincerely,

Raphael M. Russo

Raphael M. Russo