

March 21, 2006

Ms. Nancy M. Morris  
Securities and Exchange Commission  
100 F. Street NE  
Washington, D.C, 20549-9303

Dear Ms. Morris,

I am writing this letter in response to the recommended adjustments to the executive compensation section of the proxy statement made recently by the SEC. There is much you have addressed in this document and clearly a great deal of thought, time, and effort have gone into this project. **Much of it is long overdue** and I appreciate the opportunity to comment on these recommendations as I believe there are several ways to make what you have proposed even better.

I want to state at the outset that I am CEO of Research Data Group, Inc., one of the largest providers of the total return charts which are used in the proxy statements, so my comments may be perceived to have a bias. However, **having over 15 years experience in this area**, there are several thoughts I would like to share with you which I believe can, if implemented, give investors the information they want and need to make a reasoned judgment on a company's executive compensation.

Firstly, I believe the SEC's recommendation to remove the total return chart altogether from the proxy needs some careful reconsideration. I think the total return chart is a necessary part of the executive compensation section of the proxy statement, both from the standpoint of company management and shareholders as it is **the only piece of information in the proxy that shows investors what the company has done for them in the way of financial performance**. It is also the only place a corporation's top management can justify any changes in their compensation. It demonstrates to the investor what management has been able to do relative to other companies in their industry peer group as well as to the broader market. To require only disclosing changes in compensation without linking it to shareholder total return presents a one-sided view of management's remuneration.

Clearly the value of comparing the relative performance of a company is an invaluable piece of information for investors, and companies are not alone in filing total return performance figures with the SEC. The 15C quarterly report for mutual funds requires a total return chart to provide a clear record of a fund's relative performance compared to its fund category and a major market benchmark. **If clarity of performance for shareholders is one of the objectives of the SEC, then a company's total return chart, compared against a major market index and a peer group is, without question, the time-tested and proven methodology for this.** Preparing the total return chart is not overly expensive, with the average costing less than \$1,000.

Secondly, I believe your assumption about an easily available resource on the internet for the total return chart is incorrect. **These historic total return charts cannot be found**

**anywhere on the internet. Total return calculations are not accessible except at a cost due to the fact that these returns include the effect of reinvested dividends which require additional time and expense to compute properly.** Mutual fund companies and others that must report total returns quarterly spend thousands of dollars to license this information each quarter from companies such as S&P, Dow Jones, Russell and FactSet. The net result of these factors is that accurate, compliant, total return data is not accessible to the general public except by way to the proxy.

Thirdly, you have recommended a plain text discussion of executive compensation but you have not recommended anything that would appear to give this discussion any balance. **Perhaps the most insightful thing the SEC could mandate is a “plain text” discussion comparing the Executive Compensation table with total return to the shareholders.** This is long overdue. It would tell shareholders what management has done for them, and at what cost; if management delivers for the shareholders, there is not much to complain about.

**The executive compensation tables you have recommended will not be easy to comprehend alone, are likely to be riddled with footnotes, and provide no link to shareholder total return.** An attorney is not going to allow a company to explain what’s in the tables saying “a table speaks for itself” and this is not only true but good legal advice. Yet there needs to be commentary that takes this information and links it to shareholder total return in plain text and correspondingly, this needs to be a part of any changes made by the SEC.

I have taken the liberty of including what I believe would be the ideal presentation of executive compensation and total return to shareholders. The data in my example is real and is taken from the Lehman Brothers’ proxy that was recently filed (February 27, 2006). I believe this text meets the requirements for plain text outlined the SEC executive compensation proposal. I have only included text on the three year total return to shareholders since data for executive compensation did not go back five years.

Information from page 20 of the Lehman Brothers proxy.

## COMPENSATION OF EXECUTIVE OFFICERS

The following table shows, for the years ended November 30, 2005, 2004 and 2003, the cash and other compensation paid or accrued and certain long-term awards made to the Chairman and Chief Executive Officer and to the Company's four most highly compensated executive officers for Fiscal 2005 other than the Chief Executive Officer, for services in all capacities.

### SUMMARY COMPENSATION TABLE

Annual Compensation

Long-Term  
Compensation Awards

Name and Principal Position at November 30, 2005	Fiscal Year	Salary	Bonus	Other Annual Compensation (a)	Restricted Stock Unit Awards (b)	Securities Underlying Options	All Other Compensation (c)
R. S. Fuld, Jr. Chairman and Chief Executive Officer	2005	\$750,000	\$13,750,000	—	\$14,942,021	450,000	\$17,791
	2004	750,000	10,250,000	—	10,357,143	450,000	16,028
	2003	750,000	6,650,000	—	8,000,000	400,000	14,439
J. M. Gregory President and Chief Operating Officer	2005	\$450,000	\$11,550,000	—	\$11,542,211	350,000	\$ 9,748
	2004	450,000	9,050,000	—	7,214,285	350,000	8,782
	2003	450,000	5,050,000	—	5,714,629	300,000	7,912
D. Goldfarb Chief Administrative Officer	2005	\$450,000	\$5,550,000	—	\$5,199,709	300,000	\$ 0
	2004	450,000	3,950,000	—	4,357,143	250,000	0
	2003	450,000	2,550,000	—	3,571,643	200,000	0
T. A. Russo Chief Legal Officer	2005	\$450,000	\$4,550,000	—	\$3,314,100	150,000	\$ 0
	2004	450,000	3,350,000	—	2,928,571	150,000	0
	2003	450,000	2,550,000	—	2,857,314	50,000	0
J. Beyman Chief of Operations and Technology	2005	\$200,000	\$3,100,000	—	\$3,142,682	0	\$ 0
	2004	200,000	2,800,000	—	2,857,143	20,565	0
	2003	200,000	2,200,000	—	1,714,404	66,781	0

(a)

In each of the three years, the aggregate incremental cost to the Company of perquisites received, if any, by each of the named executive officers (after reimbursements by such executive officer) did not exceed the \$50,000 disclosure threshold under SEC rules.

(b)

The values indicated are calculated by multiplying the closing market price of the Common Stock on the respective dates the awards were granted by the number of shares awarded. RSUs are subject to significant vesting and forfeiture restrictions and pursuant to the terms of the awards cannot be sold or transferred until they convert to Common Stock, which in the case of the RSUs granted for Fiscal 2005 will occur on November 30, 2010. Dividends are payable by the Company on all such holdings from their respective dates of award and are reinvested in additional RSUs. The total number of RSUs granted for Fiscal 2005 that underlies the value shown for Messrs. Fuld, Gregory, Goldfarb, Russo and Beyman was 117,054.61, 90,420.77, 40,734.11, 25,962.40 and 24,619.52, respectively. Of such RSUs, 35% will vest on November 30, 2008 and the balance will vest on November 30, 2010. Notwithstanding the foregoing, RSUs may become vested (and may convert to Common Stock) sooner upon certain termination events or upon death or disability.

Including the RSUs described immediately above, as of November 30, 2005, the total number of RSUs (including additional RSUs received upon the reinvestment of dividends) held by Messrs. Fuld, Gregory, Goldfarb, Russo and Beyman was 2,349,488.15, 1,718,874.14, 325,473.38, 451,899.27 and 113,612.50, respectively. The value of these holdings at the November 30, 2005 closing price per share of Common Stock of \$126.00 was \$296,035,507, \$216,578,142, \$41,009,646, \$56,939,308 and \$14,315,175, respectively. These RSU holdings as of November 30, 2005 include the Extended RSUs described under "Employment Contracts, Termination of Employment and Change in Control Arrangements," which vest (and convert to Common Stock) upon certain termination events or upon death or disability or a change in control, and were received in accordance with the Company's 1995, 1996 and 1997 Performance Stock Unit ("PSU") award programs, but do not include the additional

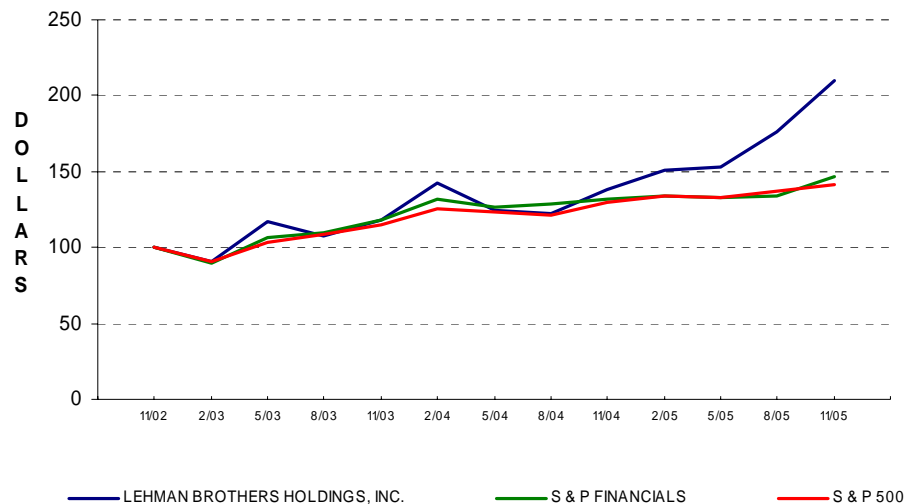
An example of the plain language discussion of the compensation summary versus three year total return to shareholders.

### Comparison of Executive Compensation and Shareholder Total Return

In 2005, the company's total compensation to its top five most highly paid employees was \$79,055,994. This indicates an increase of 33.00% from the \$59,439,595 paid this group in 2004 and an 83.08% increase over the \$43,180,341 paid in 2003. This level of growth in total compensation was less than the 110.14% total return shareholders received over this same three year time period and was higher than the 46.10% total return of the market as reflected in the S&P 500 Index. The total return to shareholders during this period was greater than the 40.85% total return of its peer benchmark, the S&P Financials Index.

Bonus and stock awards were the two largest components of total compensation for the company's top paid individuals and represented 48.70% and 48.25%, or \$38,500,000 and \$38,140,723, respectively. The salaries of the five highest paid individuals have not changed remaining at \$2,300,000 per year over the last three years.

**COMPARISON OF 3 YEAR CUMULATIVE TOTAL RETURN\***  
 AMONG LEHMAN BROTHERS HOLDINGS, INC., THE S & P FINANCIALS INDEX  
 AND THE S & P 500 INDEX



	11/02	2/03	5/03	8/03	11/03	2/04	5/04	8/04	11/04	2/05	5/05	8/05	11/05
LEHMAN BROTHERS HOLDINGS, INC.	100.0	90.4	117.2	107.7	118.5	142.6	124.7	122.0	138.6	151.2	153.2	175.9	210.1
S & P FINANCIALS	100.0	90.2	106.1	110.2	118.2	131.3	126.3	128.5	131.9	133.8	132.4	134.0	146.1
S & P 500	100.0	90.3	103.9	109.1	115.1	125.1	122.9	121.6	129.9	133.8	133.0	136.9	140.9

An example of the plain language discussion of the compensation summary for the five highest paid individuals in the company.

### **Officer Compensation**

The company's Chairman and Chief Executive Officer, R.S. Fuld, Jr., was its most highly paid individual in 2005, with compensation that totaled \$29,459,812. This level of compensation represents a 37.8% increase in his total compensation from the \$21,373,671 paid in 2004, and a 91.1% increase in his total compensation from the \$15,414,439 paid in 2004. The largest components of Mr. Fuld's 2005 total compensation were stock awards followed by bonus with each representing 50.7% and 46.7% respectively of his total remuneration. In 2004 the largest portions of Mr. Fuld's total compensation were again stock awards and bonus, which represented 48.5% and 48.0% respectively of his pay package. Mr. Fuld's salary has not changed in the last three years.

The second most highly paid individual in the company in 2005 was J.M. Gregory, its President and Chief Operating Officer, who received \$23,639,691 in total compensation. The total compensation paid to Mr. Gregory for 2005 signifies a 41.4% increase in his total compensation from the \$16,723,067 paid in 2004, and a 110.6% rise in his total compensation from the \$11,222,541 paid in 2004. Bonus and stock awards were the largest components of Mr. Gregory's 2005 total compensation representing 97.7% of his pay. Mr. Gregory's bonus was the largest component of total compensation in 2004, representing 54.1% of the total, and was followed by stock awards, which were 43.1%. Mr. Gregory's salary has not changed in the last three years.

The company paid \$11,199,709 in total compensation to its Chief Administrative Officer, D. Goldfarb, who was its third most highly paid individual in 2005. This level of compensation represents a 27.9% rise in his total compensation from the \$8,757,143 paid in 2004, and a 70.4% increase in his total compensation from the \$6,571,643 paid in 2004. Bonus and stock awards were the largest components of Mr. Goldfarb's 2005 total compensation representing 92.8% of his pay. Stock awards were the largest portion of Mr. Goldfarb's total compensation in 2004, representing 49.8% of the total, and was followed by bonus, which was 45.1%. Mr. Goldfarb's salary has not changed in the last three years.

Total Compensation for the fourth highest paid person, T.A. Russo, its Chief Legal Officer, in 2005 was \$8,314,100. The total compensation paid to Mr. Russo for 2005 represents a 23.6% rise in his total compensation from the \$6,728,571 paid in 2004, and a 41.9% increase in his total compensation from the \$5,857,314 paid in 2004. Bonus and stock awards were the largest portions of Mr. Russo's 2005 total compensation representing 94.6% of his pay. In 2004 the largest components of Mr. Russo's total compensation were bonus and stock awards, which represented 49.8% and 43.5% respectively of his pay package. Mr. Russo's salary has not changed in the last three years.

Mr. J. Beyman, the company's Chief of Operations and Technology, was its fifth most highly paid person in 2005 with total compensation of \$6,442,682. The total compensation paid to Mr. Beyman for 2005 represents a 10.0% increase in his total

compensation from the \$5,857,143 paid in 2005, and a 56.6% rise in his total compensation from the \$4,114,404 paid in 2004. The largest portions of Mr. Beyman's 2005 total compensation were stock awards and bonus representing 48.7% and 48.1% respectively of his total remuneration. Stock awards were the largest component of Mr. Beyman's total compensation in 2004, comprising 48.8% of the total, and was followed by bonus, which was 47.8%. Mr. Beyman's salary has not changed in the last three years.

Without a doubt, management saw significant increases in their compensation, but the shareholders came out even better! It is especially important to note that none of the officers' salaries had increased; the gains in officer compensation all resulted from incentives. **I believe this is a good example of why investors need a combination of shareholder total return information along with data on executive compensation to make a reasoned and fair judgment about executive pay.** I cannot think of a good reason as to why you shouldn't have a plain text section that ties together the executive compensation data with the total return for shareholders. It provides a necessary perspective and balance to this discussion that would otherwise be missing.

There are several things the SEC could do to improve these charts. Charting programs have come a long way since 1992 and it would be easy to provide a chart with quarterly data points and in color at no additional cost. Further, **I believe the SEC could give the companies more options with respect to total return charts,** by continuing to mandate five year chart but also giving them the option of providing a three-year and/or a ten-year chart in addition, to give shareholders even more clarity and perspective about the investment performance of a company over these time periods.

And lastly, while it is indeed time for the SEC to require more clarity with respect to executive compensation, unless there is an enforcement of the regulations you finally establish, nothing will change. My company reviews almost every proxy filed each year and we see **a large number of total return charts that are non-compliant and what is even more troubling, nothing is ever done about them.** I have never, in the last 15 years, heard of the SEC ever fining any company for a non-compliant proxy chart. Unless this changes all your good intentions will go for naught.

Thank you for the opportunity to respond.

Thomas A. Elliott, Jr  
President  
Research Data Group, Inc.