

# SECURITIES AND EXCHANGE COMMISSION

## FORM 8-K

Current report filing

Filing Date: **1994-09-22** | Period of Report: **1994-09-22**  
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### FILER

#### LEHMAN BROTHERS HOLDINGS INC

CIK: **806085** | IRS No.: **133216325** | State of Incorpor.: **DE** | Fiscal Year End: **1231**  
Type: **8-K** | Act: **34** | File No.: **001-09466** | Film No.: **94549975**  
SIC: **6211** Security brokers, dealers & flotation companies

#### Mailing Address

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3 WORLD FINANCIAL CNTR  
NEW YORK NY 10048  
2125267000*

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934

Date of Report (date of earliest event reported): September 21, 1994

LEHMAN BROTHERS HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

1-9466

(Commission File Number)

13-3216325

(IRS Employer Identification No.)

3 World Financial Center

New York, New York

10285

(Address of principal  
executive offices)

(Zip Code)

Registrant's telephone number, including  
area code: (212) 526-7000

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Item 5. Other Events

Third Quarter and Year-to-Date 1994 Earnings

On September 21, 1994, Lehman Brothers Holdings Inc.  
(the "Registrant") issued a press release with respect to  
its third quarter and year-to-date 1994 earnings (the  
"Earnings Release").

Copies of the Earnings Release follow.

Following the Registrant's release of its third quarter earnings, Standard & Poor's ("S&P") revised its long-term debt outlook for the Registrant to negative from stable, while affirming its current ratings of single "A" on the Registrant's long-term senior debt and "A-1" on its short-term debt. S&P stated that the downturn in the fixed income markets, along with low trading volumes in long-term debt, has affected the Registrant's profitability. S&P stated further, however, that Lehman remains a well-managed firm with a customer-oriented franchise and adequate diversification among securities industry segments. It also stated that it expects that the firm will maintain its position in underwriting and trading markets.

Item 7. Financial Statements and Exhibits

(c) Exhibits

The following Exhibits are filed as part of this Report.

- 99.1 Press Release Relating to  
Third Quarter 1994 Earnings
- 99.2 Selected Statistical  
Information
- 99.3 Consolidated Statement of  
Operations  
(Three Months Ended August 31, 1994)  
(Preliminary and Unaudited)
- 99.4 Consolidated Statement of Operations  
(Eight Months Ended August 31, 1994)  
(Preliminary and Unaudited)

The Exhibit Index to this Report is incorporated herein by reference.

SIGNATURE

Pursuant to the requirements of the Securities Exchange

Act of 1934, the Company has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

LEHMAN BROTHERS HOLDINGS INC.

By: /s/ Robert Matza

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Robert Matza  
Chief Financial Officer  
(Principal Financial Officer)

Date: September , 1994

EXHIBIT INDEX

Exhibit No.	Exhibit
Exhibit 99.1	Press Release Relating to Third Quarter 1994 Earnings
Exhibit 99.2	Selected Statistical Information
Exhibit 99.3	Consolidated Statement of Operations (Three Months Ended August 31, 1994) (Preliminary and Unaudited)
Exhibit 99.4	Consolidated Statement of Operations (Eight Months Ended August 31, 1994) (Preliminary and Unaudited)

Exhibit 99.1

Exhibit 99.2

Exhibit 99.3

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revenues."

Mr. Fuld added: "During this down cycle in the business, we are continuing to review all components of our expense base for further cost reductions."

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Third Quarter 1994/page 2

## Revenues

Net revenues (gross revenues less interest expense) of \$719 million for the third quarter declined by 19% from the third quarter of 1993. Market making and principal transaction revenues were \$335 million, down 24% from the prior-year quarter. Ongoing market volatility lowered the levels of customer flow activity, resulting in lower revenues across all major product lines.

Investment banking revenues of \$172 million represented an 8% decrease from 1993's third quarter. Lower origination volumes were offset by improved results from strategic advisory activities and gains from certain merchant banking activities. As of August 31, 1994, Lehman Brothers was ranked the number two underwriter of U.S. debt and equity and the number four underwriter of debt and equity worldwide for the year to date, according to Securities Data Company.

Lehman Brothers also ranked number four in global mergers and acquisitions year to date.

Net interest and dividend revenues of \$83 million decreased by 29% from the third quarter of 1993, as spreads on fixed income products continued to tighten and funding costs increased from the third quarter of 1993.

Commission revenues of \$113 million for the quarter were down 10% from last year's period, reflecting lower market volumes of customer activity in listed securities.

#### Expenses

Non-interest expenses were \$686 million, reflecting a 5% decrease from last year's third quarter. To reflect the overall decline in revenues, compensation and benefits also declined to \$388 million, a 13% decrease from the prior-year period. As a result of the Firm's strategic plan to improve its global infrastructure, non-interest expenses excluding compensation and benefits increased 7% versus the third quarter of 1993.

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#### Capital

As of August 31, 1994, Lehman's stockholders' equity was

\$3,360 million and total capital (stockholders' equity and long-term debt) was \$14,187 million.

#### Year-to-Date Earnings

For the eight months ended August 31, 1994, Lehman Brothers reported net income of \$92 million before after-tax charges of \$12 million relating to the May 31 spin-off from the American Express Company and \$13 million relating to the implementation of SFAS No. 112. Including these charges, net income for the first eight months of 1994 was \$67 million, and net income applicable to common stock was \$40 million. Earnings per common share for the first eight months of 1994 were \$0.37.

In March 1994, the Board of Directors of Lehman Brothers Holdings Inc. approved a change in the Firm's fiscal year end from December 31 to November 30. Consequently, the three months that comprise the Firm's 1994 fourth quarter will end on November 30, 1994.

Lehman Brothers is a global investment bank with leadership positions in corporate and municipal finance and advisory services and in securities sales, trading and research.

Lehman Brothers serves the financial needs of corporate, government and institutional clients, and high-net-worth individuals through offices in major financial centers worldwide.

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<TABLE>

LEHMAN BROTHERS HOLDINGS INC.  
SELECTED STATISTICAL INFORMATION  
(Preliminary and Unaudited)

	8/31/94	6/30/94	3/31/94	Lehman Businesses 9/30/94
<S>	<C>	<C>	<C>	<C>
Balance Sheet (dollars in millions, except per share data)				
Total Assets (a)	\$121,000	\$118,511	\$112,277	\$111,881
Total Assets Excluding Matched Book (b)	77,000	74,375	71,147	57,546
Common Stockholders' Equity	2,652	2,602	1,275	1,280
Total Stockholders' Equity	3,360	3,310	2,033	2,038
Total Capital (long-term debt plus stockholders' equity)	14,187	13,877	12,608	11,431
Book Value per Common Share (c)	23.97	24.65	N/A	N/A
Financial Ratios (for the 3 months ended)				
Return on Common Equity (%)	1.6	2.8	N/A	N/A
Pretax Operating Margin (%)	4.6	6.8	10.2	19.0
Compensation & Benefits/Nets Revenues (%) (d)	53.9	50.7	51.8	49.9
Effective Tax Rate (%) (e)	35.1	34.6	38.0	33.9
Other Data (#s)				
Common Stock Outstanding	105,528,914	105,554,748	N/A	N/A
Employees	8,926	8,948	9,292	N/A

(a) Reflects the FIN 39 adjustment to reported assets of \$85.1 billion at September 30, 1993.

(b) Matched book defined as securities purchased under agreements to resell.

(c) At August 31, 1994, this calculation includes restricted stock units granted under the 1994 Lehman Stock Award program.

(d) For the period ended March 31, 1994, compensation expense excludes the severance charge of \$33 million.

(e) For the period ended June 30, 1994, the actual tax rate was 41.6%, reflecting the non-deductibility of certain spin-off expenses.

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LEHMAN BROTHERS HOLDINGS INC.  
CONSOLIDATED STATEMENT OF OPERATIONS  
(Preliminary and Unaudited)  
(In millions, except per share data)

	Three Months Ended	Lehman Businesses	Three Months Ended September 30, 1993 (Note 1)	Businesses Sold	Total	Percentage of Dollar Change Inc/(Dec) Lehman Businesses
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenues:						
Market making and principle transactions	\$ 335	\$ 443	\$ 41	\$ 484		(24)%
Investment banking	172	186	47	233		(8)
Commissions	113	126	118	244		(10)
Interest and dividends	1,901	1,510	25	1,535		26
Other	16	21	67	88		(24)
Total revenues	2,537	2,286	298	2,584		11
Interest expense	1,818	1,393	18	1,411		31
Net revenues	719	893	280	1,173		(19)
Non-interest expenses:						
Compensation and benefits	388	445	180	625		(13)
Communications	51	45	21	66		13
Brokerage, commissions and clearance fees	58	63	(2)	61		(8)
Occupancy and equipment	45	39	10	49		15
Professional services	49	42	10	52		17
Advertising and market development	33	32	8	40		3
Depreciation and amortization	33	29	6	35		14
Other	29	29	42	71		
Total non-interest expenses	686	724	275	999		(5)
Income before taxes	33	169	5	174		(80)
Provision for income taxes	11	57	3	60		(81)
Net Income	22	112	2	114		(80)
Preferred stock dividends	11	12		12		(8)
Net income applicable to common stock	\$ 11	\$ 100	\$ 2	\$ 102		(89)
Number of shares used in per share computation	109.1			105.7		

(Note 2)

Earnings per common share	\$	.10	\$	.96
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Note 1: Certain prior period amounts have been reclassified to conform to the current year's presentation.

Note 2: Pursuant to SEC requirements, the number of common shares used in the 1993 calculation of earnings per share includes shares issued in the spin-off.

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LEHMAN BROTHERS HOLDINGS INC.  
CONSOLIDATED STATEMENT OF OPERATIONS  
(Preliminary and Unaudited)  
(In millions, except per share data)

	Eight Months Ended August 31, 1994	Nine Months Ended September 30, 1993 (Note 1)		
	Lehman Business	Businesses Sold	Total	
<S>	<C>	<C>	<C>	<C>
Revenues:				
Market making and principal	\$1,054	\$1,350	\$ 323	\$1,673
Investing banking	421	556	171	727
Commissions	332	361	828	1,189
Interest and dividends	4,547	4,227	161	4,388
Other	41	60	412	472
Total revenues	6,395	6,554	1,895	8,449
Interest expense	4,365	3,899	143	4,042
Net revenues	2030	2,655	1,752	4,407
Non-interest expenses:				
Compensation and benefits	1,057	1,382	1,164	2,546
Communications	135	141	130	271
Brokerage, commissions and clearance fees	178	188	(20)	168
Occupancy and equipment	115	122	93	215
Professional services	122	116	42	158
Advertising and market development	85	94	34	128
Depreciation and amortization	86	78	46	124
Other	76	100	146	246
Severance charge	33			
Spin-off expenses	15			
Loss on sale of Shearson			535	535
Reserves for non-core businesses		32	120	152
Total non-interest expenses	1,902	2,253	2,290	4,543
Income (loss) from continuing operations before				
taxes and cumulative effect of change in accounting principle	128	402	(538)	(136)
Provision for income taxes	48	161	108	269
Income (loss) from continuing operations before cumulative effect of change in accounting principle	80	241	(646)	(405)
Income from discontinued operations, net of taxes:			24	24

Income from operations				
Gain on disposal			165	165
Net Income from discontinued operations			189	189
Income (loss) before cumulative effect of change in accounting principle	80	241	(457)	(216)
Cumulative effect of change in accounting principle	(13)			
Net Income (loss)	67	241	(457)	(216)
Preferred stock dividends	27	36		36
Net income (loss) applicable to common stock	\$ 40	\$ 205	\$ (457)	\$ (252)
Number of shares used in per share computation (Note 2)	107.0			105.7
Earnings per common share:				
Income (loss) from continuing operations before cumulative effect of change in accounting principle	\$ .49		\$ (4.17)	
Discontinued operations				1.79
Cumulative effect of change in accounting principle	(.12)			
Net income (loss)	\$ .37		\$ (2.38)	

Note 1: Certain prior period amounts have been reclassified to conform to the current year's presentation.

Note 2: Pursuant to SEC requirements, the number of common shares used in the calculation of earnings per share includes shares issued in the spin-off.

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