

DENISE DIGHT CRAWFORD  
SECURITIES COMMISSIONER



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## Texas State Securities Board

208 E. 10th Street, 5th Floor  
Austin, Texas 78701-2407  
www.ssb.state.tx.us

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BETH ANN BLACKWOOD  
MEMBER  
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MEMBER

IN THE MATTER OF THE  
DEALER REGISTRATION OF  
LEHMAN BROTHERS INC.

§  
§  
§

Order No. IC06-CAF-25

TO: Thomas D. Shpetner, Vice President  
Lehman Brothers Inc. (CRD No. 7506)  
745 Seventh Avenue  
19th Floor  
New York, NY 10019

### DISCIPLINARY ORDER

Be it remembered that Lehman Brothers Inc. ("Respondent"), by and through Thomas D. Shpetner, its Vice President, appeared before the Securities Commissioner of the State of Texas ("Securities Commissioner") and, without admitting or denying any allegation contained herein, except Findings of Fact one and two which are deemed admitted, consented to the entry of this Order and the Findings of Fact or Conclusions of Law contained herein.

### FINDINGS OF FACT

1. Respondent has waived (a) Respondent's right to notice and hearing in this matter; (b) Respondent's right to appear and present evidence in this matter; (c) Respondent's right to appeal this Order; and (d) all other procedural rights granted to the Respondent by The Securities Act, TEX. REV. CIV. STAT. ANN. art. 581-1 et seq. (Vernon 1964 & Supp. 2005-2006)("Texas Securities Act"), and the Administrative Procedure Act, TEX. GOV'T CODE ANN. § 2001.001 et seq. (Vernon 2000 & Supp. 2005-2006)("Administrative Procedure Act").
2. On or about August 19, 1983, Respondent registered with the Securities Commissioner as a securities dealer, which is currently effective.
3. On or about September 22, 2000, a former agent (the "Former Agent") of Respondent notified Respondent that he was engaged in an outside business activity.

4. On or about February 15, 2001, the Former Agent entered into an option transaction constituting a private securities transaction in connection with his outside business activity. Respondent knew or should have known that the Former Agent was potentially engaging in a private securities transaction in connection with his outside business activity.
5. The Former Agent's role in the option transaction was outside the regular course or scope of the Former Agent's employment with Respondent.
6. Respondent failed to detect the Former Agent's private securities transaction. On August 20, 2003, Respondent terminated the Former Agent for his role in the option transaction.
7. Pursuant to § 115.10(a) of the Rules and Regulations of the Texas State Securities Board ("Board Rules"), each dealer must establish and maintain a system to supervise the activities of its agents that is reasonably designed to achieve compliance with the Texas Securities Act and Board Rules.

#### CONCLUSIONS OF LAW

1. Respondent's failure to detect the Former Agent's private securities transaction, constitutes a failure to supervise its agents in a matter reasonably designed to achieve compliance with the Texas Securities Act and Board Rules, and is a violation of § 115.10(a) of the Board Rules.
2. Pursuant to Section 14.A(6) of the Texas Securities Act, the foregoing violation constitutes a basis for the issuance of an order reprimanding a registered dealer.
3. Pursuant to Section 23-1 of the Texas Securities Act, the foregoing violation constitutes a basis for the issuance of an order assessing an administrative fine against a dealer.

#### ORDER

1. It is therefore ORDERED that Lehman Brothers Inc. is hereby REPRIMANDED.
2. It is further ORDERED that Lehman Brothers Inc. is hereby ASSESSED AN ADMINISTRATIVE FINE in the amount of Fifteen Thousand Dollars (\$15,000.00). Payment shall be made by delivery of a cashier's check to the Securities Commissioner in the amount of Fifteen Thousand Dollars (\$15,000.00), payable to the State of Texas, contemporaneously with the delivery of this Order.

SIGNED AND ENTERED BY THE SECURITIES COMMISSIONER this 31<sup>st</sup>  
day of July, 2006.

  
DENISE VOIGT CRAWFORD  
Securities Commissioner

Respondent:

Lehman Brothers Inc.

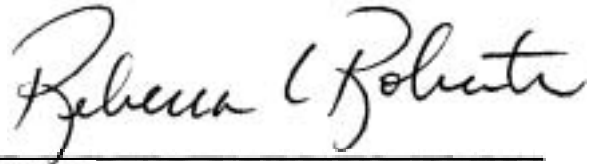


By: Thomas D. Shpetner  
Vice President

Approved as to Form:



Benette L. Zivley  
Director  
Inspections and Compliance Division



Rebecca L. Robertson  
Attorney for Respondent

**ACKNOWLEDGMENT**

On the 24th day of July, 2006, Lehman Brothers Inc. ("Respondent"), by and through Thomas D. Shpetner, its Vice President, personally appeared before me, executed the foregoing Order, and acknowledges that:

1. Thomas D. Shpetner is duly authorized to enter into the foregoing Order on behalf of Respondent;
2. Thomas D. Shpetner has read the foregoing Order;
3. Respondent has been fully advised of its rights under the Texas Securities Act and the Administrative Procedure Act;
4. Respondent knowingly and voluntarily consents to the entry of the foregoing Order and the Findings of Fact and Conclusions of Law contained therein; and,
5. Respondent, by consenting to the entry of the foregoing Order, has knowingly and voluntarily waived its rights as set forth therein.

*Madelaine L Shapiro*

Notary Public in and for  
the State of \_\_\_\_\_

[affix notary seal here]

My commission expires on: \_\_\_\_\_

**MADLINE L SHAPIRO**  
Notary Public, State of New York  
# 01215003888  
Certificate Filed in New York County  
My Commission Expires: 11/9/06