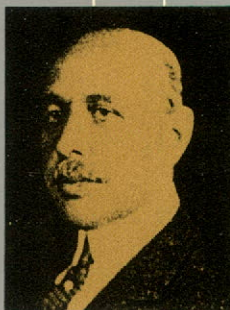


The Lehman Corporation

On September 11, 1929
Arthur Lehman establishes
The Lehman Corporation
with \$100 million in assets.



1989 Annual Report



As The Lehman Corporation celebrates its 60th anniversary, we look back

on a proud heritage built on conservative, value-oriented investment principles and dedication to the

needs of our shareholders. But more important, we look forward to a future in which The Lehman Corpo-

ration continues to help its shareholders build true and lasting wealth over time.

1970



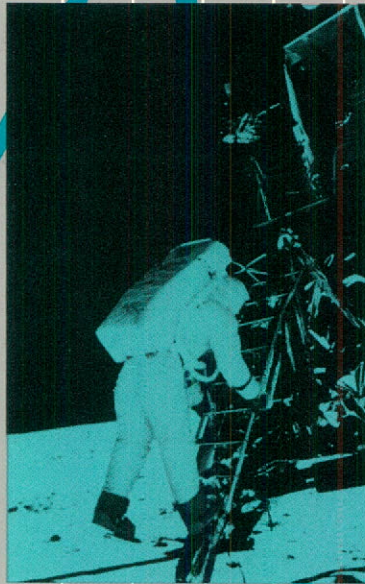
1971
Wage-price controls established

1973
24-month bear market begins

1973
OPEC imposes oil embargo

1973
Vietnam War ends

1974
President Nixon resigns; President Ford assumes office



1976
President Carter elected



1977
15-month bear market begins

1979
Camp David Accords signed

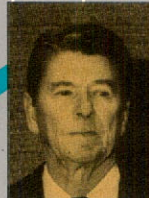
1979
Iran takes U.S. hostages

1980

1980
U.S. boycotts Moscow Olympics

1980
President Reagan elected

1980
Prime rate hits 21½%



1981
16-month bear market begins

1982
Prime rate drops to 11½%

1984
USSR boycotts Los Angeles Olympics

1985
Francis L. Fraenkel appointed Chairman and President of The Lehman Corporation

1985
Gorbachev named Soviet Premier

1986
Tax Reform Act passed

1987
Stock market crashes; 2-month bear market begins

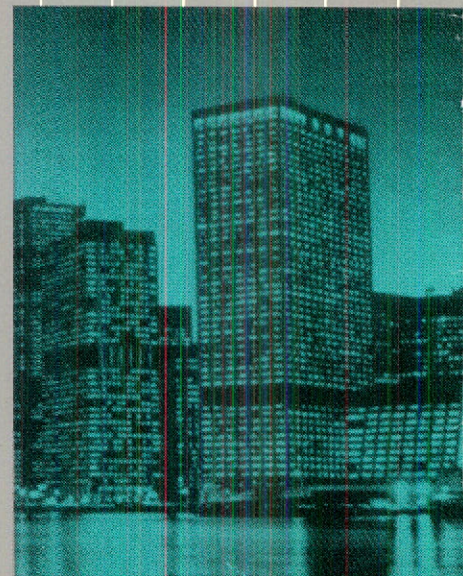
1988
President Bush elected



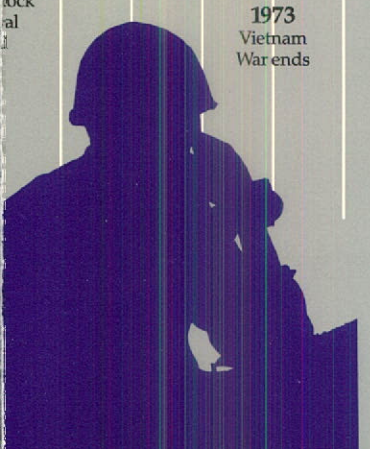
1989
Berlin Wall crumbles

1989
The Lehman Corporation achieves \$1 billion in assets

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almost every type of economic environment. Since its inception in 1929, The Lehman Corporation has prospered through three wars, one

Great Depression, two stock market crashes, eleven U.S. presidents, nine bear markets and countless periods of short-term

political and economic instability. But despite these short-term influences, the long-term trend has been

a positive one for The Lehman Corporation and its investments.

1950

1960

1952
President
Eisenhower
elected



1962
Cuban
Missile
Crisis



1963
\$11 billion
tax cut
passed

1966
8-month
bear market
begins

1968
President
Nixon
elected

1950
Korean War
begins

1953
Korean War
ends

1963
President
Kennedy
assassinated;
President
Johnson
assumes
office

1967
War in the
Middle
East

1968
18-month
bear market
begins

1953
Excess
profits tax
repealed

1958
Khrushchev
named
Soviet
Premier



1961
Berlin Wall
built

196
Ne
Armst
lands
the m

1956
Suez Canal
crisis

1960
President
Kennedy
elected

196
Woods
festi
hel



1964
Vietnam
War
escalates



For 60 years, The Lehman Corporation has consistently demonstrated its ability to produce attractive investment returns in

1930

1929
Stock market crashes; 34-month bear market begins



1934
Prohibition ends

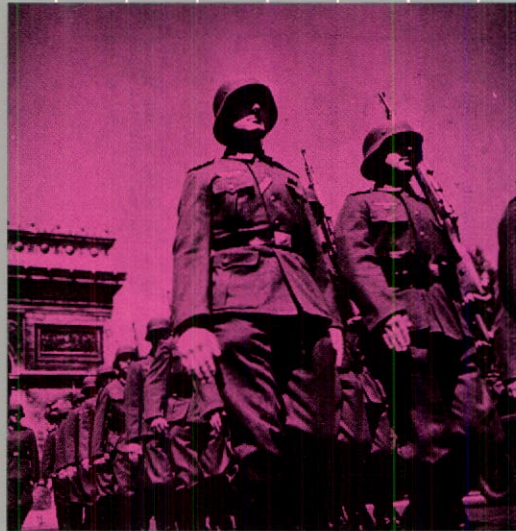
1932
President Roosevelt elected

1932
Banks close, Great Depression intensifies

1934
SEC organized



1940



1946
Price controls lifted

1945
World War II ends

1939
World War II begins

1937
56-month bear market begins

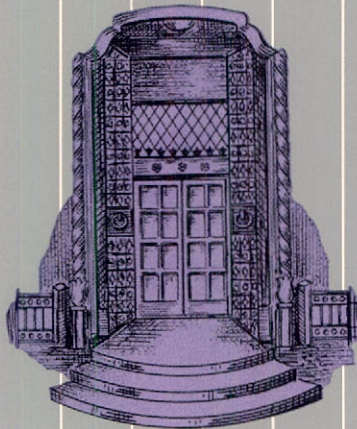
1941
Pearl Harbor attacked

1946
37-month bear market begins

1948
State of Israel founded

1945
President Roosevelt dies; President Truman assumes office

1942
Price controls established



\$100,000,000

Dear
Shareholder

The Lehman Corporation

55 Water Street
New York, N.Y. 10041

On September 11, 1989, The Lehman Corporation celebrated its "diamond anniversary," commemorating 60 years of service to its shareholders.

When The Lehman Corporation was first established in 1929, it was one of only 19 closed-end funds available to investors. Now, 60 years later, there are more than 225 such funds, and the Corporation continues to be an industry leader. In fact, in 1989, we reached a new milestone—for the first time ever, we ended the year with more than \$1 billion of assets under management.

During its early years, The Lehman Corporation invested in the stocks and bonds of some of America's most promising businesses. Our portfolio in 1929 contained the common stocks of such companies as Eastman Kodak, General Electric, American Can, Western Union, Dupont and Standard Oil. Since then, these companies have become some of our nation's most successful and prestigious corporations, and The Lehman Corporation shareholders of that time participated in their growth. Indeed, we are pleased to note that many of our early shareholders and their descendants continue to own shares of the Corporation in their investment portfolios.

The same fundamental principles of conservative, value-oriented investment management that characterized the Corporation's success in its first 60 years continue to guide our investment decisions today. We seek out companies and industries with the best potential to grow and prosper in prevailing economic conditions. And while past success is never a guarantee of future results, we are confident that these proven principles of long-term investing will continue to serve our shareholders well in the years ahead.

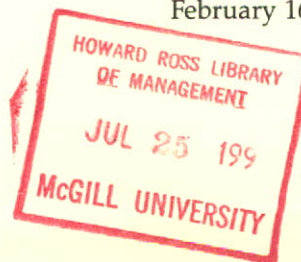
On behalf of the Board of Directors and officers of The Lehman Corporation, I would like to take this opportunity to welcome our new shareholders, and to express our sincere appreciation to all of you for your continued interest and support.

Cordially,



Francis L. Fraenkel
Chairman and President

February 16, 1990



1989 Results

The Lehman Corporation's net asset value per share increased 22.1% in 1989, assuming reinvestment of the distributions from long- and short-term capital gains of \$.475 per share paid to shareholders on February 28, 1989 and \$1.04 per share paid to shareholders on December 27, 1989. This compares with increases of 27.0% for the unmanaged Dow Jones Industrial Stock Average and 27.3% for the Standard & Poor's Index of 500 Stocks.

The Corporation's total return was 27.7% in 1989, compared to 31.6% for the Standard & Poor's Index and 32.2% for the Dow Jones Average.

The net asset value of the Corporation's stock was \$15.58 per share at December 31, 1989, equivalent to \$17.55 assuming reinvestment of the distributions from capital gains.

On January 16, 1990, the Board of Directors declared a final distribution of \$.155 per share, consisting of \$.015 from net investment income, \$.065 from net short-term capital gain and \$.075 from net long-term capital gain. The distribution from long-term capital gain of \$.075 per share has been designated as a "capital gain dividend" under the Internal Revenue Code. The distribution was payable February 15, 1990 to shareholders of record January 31, 1990.

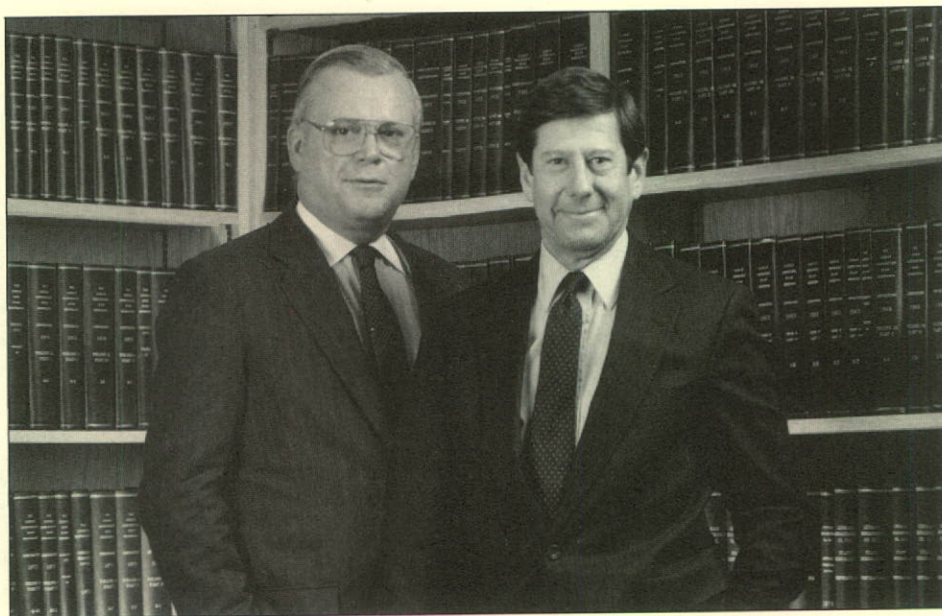
The Corporation intends to repurchase shares of its own stock in the future at such times and prices and in such amounts as is deemed advisable. We will report all repurchases to shareholders in the quarterly reports of the Corporation.

The Automatic Dividend Reinvestment and Cash Purchase Plan continues to be a popular service and many shareholders are using it to build their holdings in the Corporation. Under the terms of the Plan, you may arrange to reinvest your dividends automatically in additional full and fractional shares. The Plan also allows you to send in cash of \$25.00 or more to purchase additional shares of The Lehman Corporation. A booklet describing the Plan in detail will be furnished to shareholders upon request.

The Annual Meeting of Shareholders of The Lehman Corporation will be held at 10:00 A.M. on April 24, 1990 at 55 Water Street, 13th Floor, in New York City. We hope those of you for whom the time and place of the Meeting is convenient will attend.

To obtain the current net asset value of your shares or other information about the Corporation, please call (212) 668-8578 from New York State or (800) 221-5350 from other states. For information concerning your Lehman Corporation stock account, please call The Bank of New York at (800) 524-4458.

**Shareholder
Information**



John A. Weed, Executive Vice President and Francis L. Fraenkel, Chairman and President

As 1989 began, investors generally were cautious. We were entering the eighth year of an unprecedented economic expansion, and the economy was showing signs of sluggishness. At the same time, the Federal Reserve was pursuing a policy of relatively tight credit to forestall the threat of inflation.

In light of this economic environment, we concluded that the Federal Reserve Board's monetary policy ultimately would ease in 1989 as the threat of inflation waned and efforts to avoid a recession or economic downturn gained priority. Our belief was that inflation would not be a problem and that the economy, while slow, would not fall into a recession. As it turned out, 1989 was a good year for equity investors and shareholders of The Lehman Corporation.

This past year generated a period of adjustments for the portfolio. A number of defense, technology and consumer durable stocks that failed to meet our expectations were sold, and we reduced our positions in some of the largest holdings, including IBM and Digital Equipment Corporation. Proceeds from these sales were reinvested in selected medium-sized companies in the basic industry, finance and health care sectors.

As we enter 1990, the economy continues to slow and the markets continue to be volatile. We expect corporate profits to decrease by 5% to 10% this year, and the steady retreat of the stock market in January reflected widespread acceptance of this view.

Nonetheless, we believe that selectivity can result in successful equity investing in the foreseeable future. While we do not expect to see broad market advances in 1990, certain companies and industries will benefit from a number of investment concepts that will help define the new decade.

One such concept is globalization. The anticipated spread of capitalism to Eastern Europe and the economic unification of Western Europe in 1992, as well as the emergence of the Pacific Basin as an important economic force, will create new consumer markets around the world. Companies such as Unilever, Berlitz and McDonald's have the products, resources and global strategies required to compete in the international arena of the 1990's.



*Anthony Forlano, Treasurer and
Mary Stone, Corporate Secretary*

It is also possible that Congress will reallocate government funds from defense to other more peaceful uses, such as the environment, our national infrastructure, education and health care. Selected companies that are positioned well to provide these services will grow and prosper in the 1990's. To take advantage of the changing economic environment, our market and research analysts continually monitor potential investment opportunities, with emphasis placed on management capabilities, industry prospects, stock values and prospects for growth. More than ever, a disciplined, value-oriented approach will be required for consistent success in the financial markets.

Investment Policy

The Lehman Corporation's investment policy has been to concentrate a large portion of its investments in common stocks. Companies whose stocks are selected generally have strong positions in industries with the potential to grow faster than the economy as a whole. Investments are monitored carefully and are changed from time to time into holdings we believe offer more favorable opportunities in the light of changing economic, social and political conditions. The common thread of the Corporation's policy has been to seek out and to hold common stocks of well-managed, favorably situated companies we expect will produce above-average earnings and dividend growth over a period. At the same time, we also look for opportunities in turnaround situations and in securities that appear to be priced substantially lower than their intrinsic value. While current income is not a primary consideration, we are mindful of the income needs of shareholders.

For the core of our holdings, we look for companies able to increase earnings and dividends at an above-average rate and still retain enough cash to finance future growth in their businesses.

The experience of investors generally shows the great difficulty of consistently predicting turns in the stock market. There is often the risk that the investor will become too pessimistic about stocks when their prices are depressed and sell near the bottom or become overly optimistic when their prices are high and buy near the top. In our opinion this natural propensity often accounts for poor long-term investment results of many individuals and institutions. For this reason the Corporation has generally maintained a rather fully invested position in equities rather than attempting to switch back and forth between equities and large reserves of cash, short-term instruments and bonds.

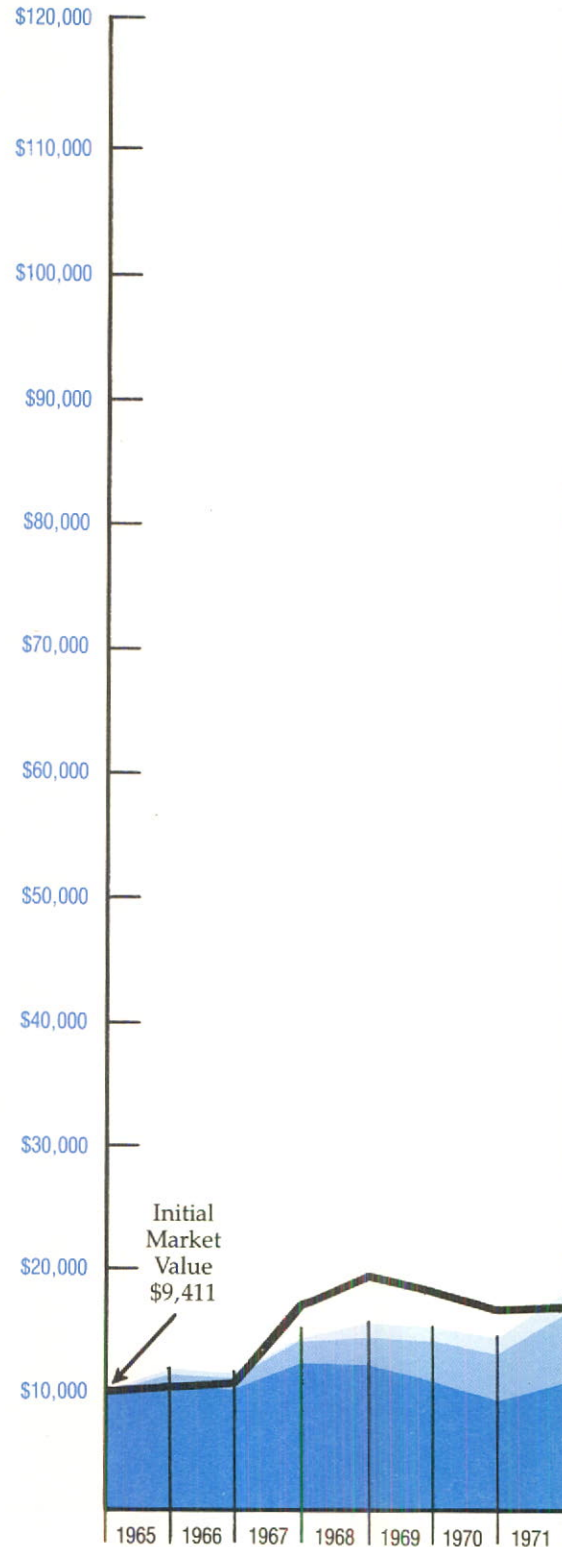
From time to time, the Corporation may invest in public utility common stocks when it believes that their prices are particularly depressed and that the total return (price appreciation plus dividends) from such investments is likely to sufficiently exceed the yield available from money market instruments to warrant the investments.

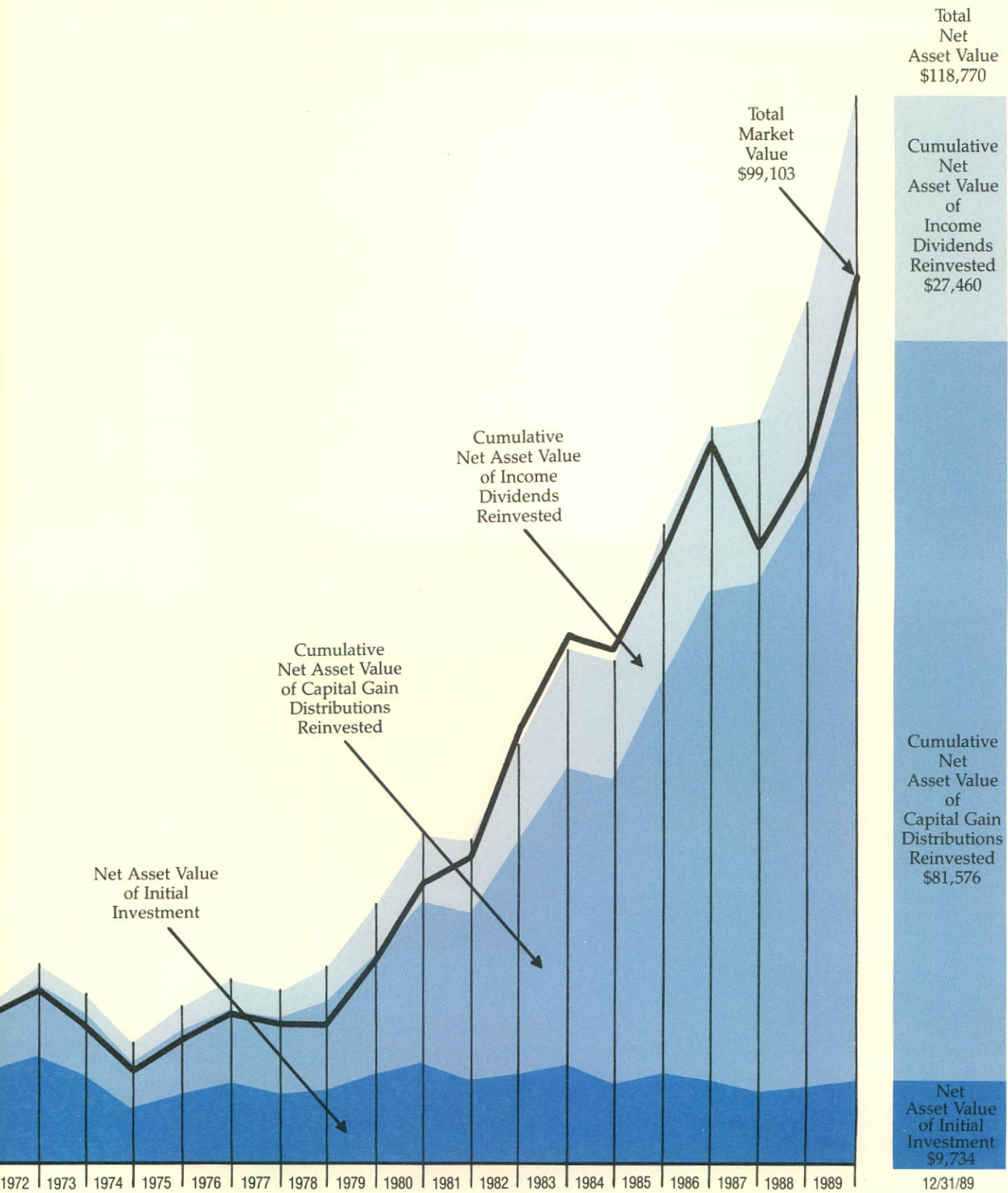
As a general rule, the Corporation invests for the longer term. We do not trade in and out of individual securities on the basis of intermediate price fluctuations, nor do we attempt to guess the direction of market cycles by continually shifting from a fully invested to a partially invested position. Even so, we reappraise our holdings, take profits or losses from time to time and raise cash to reinvest in newly emerging areas of interest, within the scope of investment policy.

25-Year Record of an Investment in The Lehman Corporation

This chart shows the 25-year record of a \$10,000 investment in stock of The Lehman Corporation at net asset value at the beginning of 1965 assuming all income dividends and capital gain distributions were reinvested at net asset value. During the period, the market price of the stock was sometimes above net asset value and sometimes below; accordingly, the chart should not be construed as an indication of the record of a shareholder's investment in the Corporation based on market prices. Nor should it be construed as a representation of future performance of the Corporation's net asset value.

End of Year	Net Asset Value of Initial Investment	Cumulative Net Asset Value of		Total Net Asset Value	Total Market Value
		Capital Gain Distributions Reinvested	Income Dividends Reinvested		
1965	\$11,290	\$ 423	\$ 203	\$ 11,916	\$10,551
1966	10,334	874	404	11,612	10,575
1967	12,477	1,654	741	14,872	17,222
1968	12,302	2,560	1,002	15,864	19,438
1969	11,009	3,413	1,172	15,594	18,032
1970	9,391	3,849	1,278	14,518	16,542
1971	11,165	5,371	1,821	18,357	16,821
1972	12,790	7,486	2,408	22,684	19,670
1973	10,309	7,003	2,248	19,560	15,707
1974	6,729	5,097	1,779	13,605	10,580
1975	8,216	7,099	2,505	17,820	14,229
1976	9,422	8,141	3,186	20,749	17,027
1977	8,197	8,454	3,151	19,802	15,848
1978	8,629	9,696	3,883	22,208	15,880
1979	10,259	13,319	5,450	29,028	23,203
1980	11,796	17,863	7,502	37,161	31,493
1981	9,722	18,632	7,698	36,052	34,754
1982	10,397	26,160	10,556	47,113	49,193
1983	11,403	33,371	13,606	58,380	59,579
1984	9,166	34,343	13,025	56,534	57,806
1985	10,484	44,095	17,224	71,803	68,465
1986	9,634	54,678	18,045	82,357	80,781
1987	8,285	57,001	17,706	82,992	68,847
1988	8,978	65,080	22,462	96,520	78,082
1989	9,734	81,576	27,460	118,770	99,103





**Record of
a Share
of Stock**

Year	Distributions Declared from		Net Asset Value End of Year	Capital Gain Distributions (Cumulative)	Net Asset Value plus Capital Gain Distributions
	Income	Capital Gain			
1929			\$ 3.81		\$ 3.81
1930	\$.094		3.08		3.08
1931	.119		2.36		2.36
1932	.10		2.43		2.43
1933	.10		3.35		3.35
1934	.10		3.68		3.68
1935	.117		4.64		4.64
1936	.125	\$.146	5.72	\$.146	5.866
1937	.125	.396	3.66	.542	4.202
1938	.106		4.25	.542	4.792
1939	.10		4.09	.542	4.632
1940	.106		3.70	.542	4.242
1941	.15		3.34	.542	3.882
1942	.156		3.69	.542	4.232
1943	.156		4.71	.542	5.252
1944	.181		5.54	.542	6.082
1945	.174	.301	7.21	.843	8.053
1946	.169	.625	6.55	1.468	8.018
1947	.192	.376	6.13	1.844	7.974
1948	.245	.192	5.82	2.036	7.856
1949	.279	.202	6.60	2.238	8.838
1950	.335	.402	7.21	2.640	9.850
1951	.276	.36	8.67	3.000	11.670
1952	.21	.254	9.15	3.254	12.404
1953	.245	.26	8.59	3.514	12.104
1954	.25	.312	11.31	3.826	15.136
1955	.285	.517	12.56	4.343	16.903
1956	.31	.712	12.63	5.055	17.685
1957	.275	.65	10.38	5.705	16.085
1958	.265	.545	13.84	6.250	20.090
1959	.27	.67	14.04	6.920	20.960
1960	.265	.59	13.53	7.510	21.040
1961	.252	.665	15.80	8.175	23.975
1962	.255	.54	12.74	8.715	21.455
1963	.255	.605	14.91	9.320	24.230
1964	.30	.645	16.01	9.965	25.975
1965	.312	.665	18.07	10.630	28.700
1966	.337	.735	16.54	11.365	27.905
1967	.355	.84	19.97	12.205	32.175
1968	.365	1.25	19.69	13.455	33.145
1969	.35	1.35	17.62	14.805	32.425
1970	.305	1.02	15.03	15.825	30.855
1971	.305	.81	17.87	16.635	34.505
1972	.305	1.27	20.47	17.905	38.375
1973	.295	.84	16.50	18.745	35.245
1974	.305	.42	10.77	19.165	29.935
1975	.27	.67	13.15	19.835	32.985
1976	.225†	†	15.08	19.835	34.915
1977	.245	1.01	13.12	20.845	33.965
1978	.34	.45	13.81	21.295	35.105
1979	.42	.91	16.42	22.205	38.625
1980	.55	1.18	18.88	23.385	42.265
1981	.72	2.04	15.56	25.425	40.985
1982	.71	2.01	16.64	27.435	44.075
1983	.625	1.365	18.25	28.800	47.050
1984	.545	2.44	14.67	31.240	45.910
1985	.495	1.085	16.78	32.325	49.105
1986	.515	3.085	15.42	35.410	50.830
1987	.49	1.88	13.26	37.290	50.550
1988	.505	.49	14.37	37.780	52.150
1989	.59	1.515	15.58	39.295	54.875
Totals	\$17.421	\$39.295			

†Capital gain dividend of \$1.01 per share and an income dividend of \$.02 per share for 1976 were declared in January 1977.

Largest Investments

THE TEN LARGEST INVESTMENTS in the Corporation's portfolio at December 31, 1989 are listed below. The total market value of these securities represented 21% of the Corporation's net assets at that date and the same percentage of the aggregate net asset value of each stockholder's Lehman shares. For example, an investment in 1,000 shares of Lehman stock at December 31, 1989 had an aggregate net asset value of \$15,580, of which 21%, or \$3,272, was invested in these ten securities.

	Shares	Market Value
Bell Atlantic <i>A holding company for the Chesapeake and Potomac Companies and New Jersey Bell.</i>	280,000	\$ 31,150,000
International Business Machines <i>The largest manufacturer of information-processing systems.</i>	323,000	30,483,125
General Electric <i>A leading producer of diversified electrical products and electronic equipment.</i>	463,500	29,895,750
Bristol-Myers Squibb <i>Manufactures proprietary medical and household products.</i>	342,000	19,152,000
Digital Equipment <i>The largest mini-computer company and manufacturer of information-processing systems.</i>	223,100	18,294,200
McDonald's <i>Operates a worldwide chain of fast-food restaurants.</i>	520,000	18,070,000
U S West <i>One of seven regional telephone holding companies.</i>	221,100	17,715,637
Security Pacific <i>Bank holding company.</i>	424,500	17,245,313
Wal-Mart Stores <i>An operator of discount department stores in the Sunbelt and Midwest.</i>	385,000	17,180,625
Amerada Hess <i>A major integrated international oil company.</i>	343,200	16,731,000
Total		<u>\$215,917,650</u>

**Portfolio
Changes
(unaudited)**

Listed below are the Corporation's portfolio changes during the three months ended December 31, 1989. Excluded from the list are changes resulting entirely from stock dividends and stock splits.

ADDITIONS

	Shares Increased	Shares Held Dec. 31, 1989
Allied Signal	20,000	245,000
Aluminum Company of America	150,000	150,000
Archer-Daniels-Midland	450,000	450,000
Berlitz International	150,000	150,000
Bristol-Myers Squibb	342,000*	342,000
Caterpillar	20,000	145,000
Consolidated Natural Gas	200,000	200,000
Dow Chemical—Contingent Value Rights	386,727**	386,727
Goulds Pumps	150,000	235,000
Whitman	190,000	190,000
Witco	50,700	50,700

REDUCTIONS

	Shares Decreased	Shares Held Dec. 31, 1989
Aetna Life & Casualty	10,000	35,000
Alaska Air Group	100,000	220,000
Bankers Trust NY	40,000	300,000
Chubb	20,000	119,200
Digital Equipment	20,000	223,100
General Electric	100,000	463,500
Great Northern Nekoosa	175,000	—
ITT	75,000	200,000
NIPSCO Industries	100,000	804,800
Super Valu Stores	30,000	280,000
Tandem Computers	130,000	377,600
U.S. Shoe	145,000	—

*Received in exchange for 142,500 shares of Squibb.

**Received from Marion Merrell Dow.

**Statement of
Investments**

December 31, 1989

COMMON STOCKS

97.3% of NET ASSETS

Shares		Cost	Value(a)
Basic Industries 17.6%			
245,000	Allied Signal	\$ 9,024,000	\$ 8,544,375
150,000	Aluminum Company of America	11,313,690	11,250,000
150,000	Berlitz International	2,475,000	2,493,750
145,000	Caterpillar	8,491,400	8,391,875
410,000	Champion International	13,420,593	13,120,000
217,500	Dow Chemical	11,897,181	15,469,687
400,000	Fluor	11,432,350	14,700,000
463,500	General Electric	11,838,404	29,895,750
127,700	Grace (W.R.)	3,978,849	4,182,175
300,000	Harnischfeger Industries	6,258,178	6,225,000
200,000	ITT	8,739,951	11,775,000
200,000	International Paper	9,163,800	11,300,000
200,000	Morrison Knudsen	8,232,750	9,325,000
150,000	Morton International	5,075,193	5,381,250
450,000	Penn Central	10,405,565	12,375,000
151,600	Temple-Inland	7,881,535	10,536,200
190,000	Whitman	5,676,060	5,486,250
		<u>145,304,499</u>	<u>180,451,312</u>
Consumer Products & Services 5.8%			
250,000	Eastman Kodak	10,643,731	10,281,250
250,000	Gillette	8,966,150	12,281,250
150,000	Kimberly-Clark	9,404,300	11,025,000
346,000	Philip Morris Companies	4,396,397	14,445,500
140,000	Unilever N.V.	10,143,330	11,865,000
		<u>43,553,908</u>	<u>59,898,000</u>
Electronics 3.9%			
190,000	AMP	7,931,115	8,455,000
412,500	GenRad (e)	9,966,927	2,114,062
235,000	Goulds Pumps	4,475,000	4,200,625
165,000	Hewlett-Packard	8,803,210	7,796,250
450,000	Intergraph (e)	9,510,625	7,762,500
285,000	Texas Instruments	12,494,778	10,224,375
		<u>53,181,655</u>	<u>40,552,812</u>
Energy 11.2%			
343,200	Amerada Hess	9,511,938	16,731,000
250,000	Anadarko Petroleum	5,754,883	9,250,000
200,000	Consolidated Natural Gas	9,201,139	10,075,000
302,600	Dresser Industries	12,273,815	13,579,175
400	Gas Properties (100% owned)	40,000	807,000(b)
450,000	Magma Power (e)	1,414,237	11,250,000

**COMMON
STOCKS**

Shares		Cost	Value(a)
	Energy (continued)		
278,000	Noble Affiliates	\$ 3,760,403	\$ 4,656,500
300,000	Panhandle Eastern	7,761,617	8,962,500
242,500	Questar	6,792,346	9,305,938
160,000	Royal Dutch Petroleum— 5 Guilder	8,807,625	12,360,000
250,000	Texaco	11,645,614	14,750,000
50,700	Witco	2,034,989	1,951,950
	Oil Royalty Interests	—	1,002,500(b)
		<u>78,998,606</u>	<u>114,681,563</u>
	Financial Services 13.1%		
35,000	Aetna Life & Casualty	1,576,858	1,977,500
155,000	American International Group .	6,936,829	16,042,500
380,000	Bank of Boston	11,172,867	7,220,000
300,000	Bankers Trust NY	10,915,645	12,412,500
300,000	Chase Manhattan	11,749,023	10,425,000
119,200	Chubb	6,832,750	11,353,800
300,000	Citicorp	9,011,837	8,662,500
375,000	Federal National Mortgage Association	8,329,228	12,750,000
250,000	First Chicago	7,243,377	9,281,250
365,000	Morgan (J.P.)	15,025,900	16,151,250
424,500	Security Pacific	9,453,125	17,245,313
250,000	Shawmut National	6,209,719	5,093,750
300,000	Southeast Banking	7,539,085	5,887,500
		<u>111,996,243</u>	<u>134,502,863</u>
	Food & Beverage 4.0%		
318,200	Anheuser-Busch Companies . .	10,065,865	12,250,700
450,000	Archer-Daniels-Midland	9,338,369	10,350,000
520,000	McDonald's	6,499,524	18,070,000
		<u>25,903,758</u>	<u>40,670,700</u>
	Health Care 10.2%		
85,000	Allergan	1,800,486	1,476,875
50,000	American Home Products	4,244,160	5,375,000
593,100	Baxter International	11,150,310	14,827,500
342,000	Bristol-Myers Squibb	8,387,938	19,152,000
200,000	Johnson & Johnson	5,282,849	11,875,000
386,727	Marion Merrell Dow	6,002,746	10,441,629
125,000	Merck	8,977,500	9,687,500
175,800	Pfizer	9,474,405	12,218,100
170,000	SmithKline Beecham p.l.c.— ADR Equity Units	6,064,324	7,331,250
325,000	Upjohn	9,469,596	12,512,500
		<u>70,854,314</u>	<u>104,897,354</u>

**COMMON
STOCKS**

Shares		Cost	Value(a)
	Merchandising 6.8%		
165,000	Dayton-Hudson	\$ 5,525,323	\$ 10,498,125
360,000	Limited	7,065,849	12,600,000
230,000	Price	10,124,435	10,637,500
200,000	Rite Aid	6,943,646	6,675,000
100,000	Sears Roebuck	4,278,850	3,800,000
280,000	Super Valu Stores	5,585,513	8,120,000
385,000	Wal-Mart Stores	353,035	17,180,625
		<u>39,876,651</u>	<u>69,511,250</u>
	Office Equipment 7.8%		
450,000	Amdahl	8,751,453	6,468,750
400,000	Control Data (e)	9,381,245	7,250,000
223,100	Digital Equipment (e)	10,608,136	18,294,200
323,000	International Business Machines	12,614,784	30,483,125
377,600	Tandem Computers (e)	5,368,077	8,684,800
450,000	Unisys	15,083,632	6,637,500
550,000	Wang Laboratories, Class B ...	4,197,852	2,818,750
		<u>66,005,179</u>	<u>80,637,125</u>
	Transportation 3.6%		
220,000	Alaska Air Group	5,235,961	4,537,500
258,300	Consolidated Rail	8,376,238	12,366,113
100,000	Cummins Engine	6,032,000	5,075,000
100,000	GATX	5,400,280	6,800,000
250,000	Greyhound	8,340,678	8,000,000
		<u>33,385,157</u>	<u>36,778,613</u>
	Utilities 13.3%		
390,000	American Electric Power	10,612,778	12,870,000
175,000	American Telephone & Telegraph	5,441,912	7,962,500
280,000	Bell Atlantic	20,884,592	31,150,000
804,800	NIPSCO Industries	8,046,119	15,492,400
155,000	NYNEX	10,199,396	14,105,000
520,000	Philadelphia Electric	9,864,050	12,025,000
350,000	Public Service Enterprise Group	8,406,770	10,237,500
400,000	United Telecommunications ..	5,421,571	15,200,000
221,100	U S West	12,371,712	17,715,637
		<u>91,248,900</u>	<u>136,758,037</u>
	Total Common Stocks	<u>\$760,308,870</u>	<u>\$999,339,629</u>

**PREFERRED
STOCKS**
0.0% of NET ASSETS

RIGHTS
0.3% of NET ASSETS

**CORPORATE
SHORT-TERM
NOTES**
2.5% of NET ASSETS

Shares		Cost	Value(a)
	Energy		
5,000	Texaco—Series C		
	Variable Rate	\$ 227,768	\$ 237,500
	Basic Industries		
386,727	Dow Chemical—		
	Contingent Value (e)	3,238,839	3,190,498
	Total Investments in Stocks . .	<u>\$ 763,775,477(c)</u>	<u>\$1,002,767,627</u>

Principal Amount (thousands)		Value(d)
\$14,008	Chevron Oil Finance due 1/3/90	\$14,025,736
4,026	Ford Motor Credit due 1/5/90	4,043,403
2,835	Sears Roebuck Acceptance due 1/4/90	2,848,413
4,561	Westinghouse Credit due 1/8/90	<u>4,579,630</u>
	Total Corporate Short-Term Notes	<u>\$25,497,182</u>

Notes:

- (a) Unless otherwise indicated, market values are based on the last reported sale on December 29, 1989 or, if no sale was reported and in the case of over-the-counter quotations, on the bid price at the close of business on that day.
- (b) Fair value in the opinion of directors—not currently quoted.
- (c) Identified cost for Federal income tax purposes was \$731,913,548.
- (d) Cost plus interest earned, which approximates market value. Annualized “yield to maturity” as of the dates of purchase of these securities ranged from 8.52% to 9.12%.
- (e) Non-income producing security.

Statement of Operations

Investment Income	<u>Year 1989</u>	<u>Year 1988</u>
Income		
Dividends (Notes 1d & 5)	\$ 32,754,507	\$ 23,009,572
Interest	7,930,896	9,216,935
Oil Royalties and Other Income	<u>1,099,711</u>	<u>1,316,352</u>
	<u>41,785,114</u>	<u>33,542,859</u>
Expenses		
Management Fee (Note 4)	3,170,930	2,916,688
Shareholder Services	388,957	377,068
Shareholder Meeting & Reports	293,042	301,588
Legal & Auditing Fees	136,297	90,247
Stock Certificates & Listing Fees	102,327	61,401
Custody of Securities	77,540	77,020
Directors' Fees	74,000	96,000
Miscellaneous	<u>69,206</u>	<u>74,395</u>
	<u>4,312,299</u>	<u>3,994,407</u>
Net Investment Income (Note 1b)	<u>37,472,815</u>	<u>29,548,452</u>
 Realized Gain on Investments		
Proceeds from Securities Sold (Note 5) . .	272,013,141	394,207,534
Cost of Securities Sold	<u>194,713,017</u>	<u>340,833,179</u>
Net Realized Gain on Investments	<u>77,300,124</u>	<u>53,374,355</u>
 Net Unrealized Appreciation of Investments		
Beginning of Year	134,577,051	86,922,147
End of Year	<u>238,992,150</u>	<u>134,577,051</u>
Increase in Net Unrealized Appreciation .	<u>104,415,099</u>	<u>47,654,904</u>
Net Realized Gain and Increase in Net Unrealized Appreciation (Notes 1b & 1c).	<u>181,715,223</u>	<u>101,029,259</u>
Net Increase in Net Assets Resulting from Operations	<u>\$219,188,038</u>	<u>\$130,577,711</u>

See Notes to Financial Statements on pages 17 and 18.

**Statement of
Assets and
Liabilities**

	December 31,	
	1989	1988
Assets		
Investments in Stocks (average cost 1989— \$763,775,477; 1988—\$622,603,336) (Note 1a)	\$1,002,767,627	\$757,180,387
Corporate Short-Term Notes (Note 1a) . . .	25,497,182	127,758,426
Cash	312,190	3,556,726
Receivable for Securities Sold	—	1,868,703
Dividends Receivable	3,125,929	2,422,384
Total Assets	1,031,702,928	892,786,626
Liabilities		
Payable for Securities Purchased	1,265,850	6,578,046
Management Fee Payable	810,945	739,738
Dividend Payable	2,303,860	—
Accrued Expenses	205,034	100,400
Total Liabilities	4,585,689	7,418,184
Net Assets		
Paid-in Capital	772,986,659	718,976,082
Undistributed Net Investment Income . . .	12,851,927	12,458,521
Undistributed Net Realized Gain	2,286,503	19,356,788
Net Unrealized Appreciation	238,992,150	134,577,051
Net Assets	\$1,027,117,239	\$885,368,442
Shares of Capital Stock, \$1.00 par value, Authorized 75,000,000; Outstanding . .	65,905,131	61,594,463
Net Asset Value Per Share	\$15.58	\$14.37

**Statement of
Changes in
Net Assets**

	Year 1989	Year 1988
Changes in Net Assets		
Operations		
Net Investment Income	\$ 37,472,815	\$ 29,548,452
Net Realized Gain on Investments	77,300,124	53,374,355
Increase in Net Unrealized Appreciation	104,415,099	47,654,904
Net Increase from Operations	219,188,038	130,577,711
Dividends to Shareholders from		
Net Investment Income	[37,079,409]	[30,524,193]
Net Realized Gain on Investments	[94,370,409]	[29,617,533]
	[131,449,818]	[60,141,726]
Capital Share Transactions		
Value of Shares Issued in Payment of Dividends	58,552,413	13,449,555
Repurchase of Capital Stock	[4,541,836]	—
Net Increase from Capital Share Transactions	54,010,577	13,449,555
Total Increase in Net Assets	141,748,797	83,885,540
Net Assets Beginning of Year	885,368,442	801,482,902
Net Assets End of Year	\$1,027,117,239	\$885,368,442

See Notes to Financial Statements on pages 17 and 18.

Notes to Financial Statements

1. Significant Accounting Policies

The Corporation is registered under the Investment Company Act of 1940, as amended, as a diversified closed-end investment company of the management type.

(a) *Securities Valuation.* Investments are carried at market or fair value and corporate short-term notes are carried at cost plus interest earned (see notes, page 14).

(b) *Federal Income Taxes.* No allowance has been made for Federal income taxes on net investment income, net realized gain or unrealized appreciation since it is the policy of the Corporation to comply with the sections of the Internal Revenue Code applicable to regulated investment companies and to make distributions from income and capital gain sufficient to relieve it from all Federal income taxes.

(c) *Realized Gain and Unrealized Appreciation.* For accounting purposes, gains or losses on sales of securities are based on average cost. For Federal income tax purposes, gains or losses are determined by identifying the cost of securities sold.

(d) *Other.* Securities transactions are recorded on the trade date. Dividend income and dividends payable are recorded on the ex-dividend date. Non-cash dividend income is recorded based on market or fair value of property received.

2. Distribution After Year End

On January 16, 1990, the Board of Directors declared for the year 1989 a final distribution of \$.155 per share, consisting of \$.015 per share from net investment income, \$.065 per share from net short-term capital gain and \$.075 per share from net long-term capital gain.

3. Capital Stock

The par value of capital stock outstanding and total paid-in capital in excess of par amounted to \$65,905,131 and \$707,081,528, respectively, at December 31, 1989 and \$61,594,463 and \$657,381,619 at December 31, 1988.

Capital stock transactions were as follows:

	1989	1988
Shares Issued in Payment of Dividends	4,682,835	1,150,518
Shares Repurchased (weighted average discount—18.8%)	[372,167]	—
Net Increase	<u>4,310,668</u>	<u>1,150,518</u>

4. Management Fee

The Corporation's assets are managed by Lehman Management Co. ("Lemco"), a division of Shearson Lehman Hutton Inc. ("SLH"), subject to the supervision of the Board of Directors of the Corporation. Lemco furnishes the Corporation with office space and pays the compensation of its officers. The management fee for these services is payable quarterly and is based on the following annual percentages of the Corporation's average daily net assets: first \$25 million—none; next \$325 million—.50%; next \$150 million—.30%; next \$250 million—.25%; excess over \$750 million—.20%.

5. Portfolio Activity and Brokerage Transactions with Affiliates

The cost of securities purchased and proceeds from securities sold (other than corporate short-term notes) during the year ended December 31, 1989 aggregated \$333,650,262 and \$272,013,141, respectively. Corresponding amounts for the year ended December 31, 1988 were \$364,497,533 and \$394,207,534.

Net realized gain on the identified cost basis for the years ended December 31, 1989 and 1988 amounted to \$74,371,393 and \$50,913,090, respectively. Total unrealized appreciation and depreciation at December 31, 1989, on the same identified cost basis, amounted to \$307,956,925 and \$37,102,846, respectively, resulting in net unrealized appreciation of \$270,854,079. Corresponding amounts at December 31, 1988 were \$181,993,693 and \$18,931,804 for total unrealized appreciation and depreciation and \$163,061,889 for net unrealized appreciation.

Total dividends of \$25,000 and \$27,000, respectively, were received for the years ended December 31, 1989 and 1988 on stocks of companies more than 5% of whose outstanding voting securities were owned by the Corporation. Dividend income in 1989 included approximately \$2.2 million of noncash income received as Contingent Value Rights and \$1.8 million of special dividends.

Brokerage commissions paid to SLH for transactions executed on behalf of the Corporation for the years ended December 31, 1989 and 1988 amounted to \$25,858 and \$34,510, respectively.

**Selected
Per Share Data
and Ratios**

Selected data per share of capital stock outstanding throughout each year:

	<u>1989</u>	<u>1988</u>	<u>1987</u>	<u>1986</u>	<u>1985</u>
Investment Income	\$.67*	\$.55	\$.54	\$.57	\$.60
Expenses	[.07]	[.06]	[.07]	[.07]	[.07]
Net Investment Income60	.49	.47	.50	.53
Dividends from Net Investment Income	[.59]	[.505]	[.49]	[.515]	[.495]
Net Realized Gain, Change in Net Unrealized Appreciation & Capital Share Transactions	2.715	1.615	[.26]	1.74	3.16
Distributions from Net Realized Gain	[1.515]	[.49]	[1.88]	[3.085]	[1.085]
Net Asset Value Beginning of Year	<u>14.37</u>	<u>13.26</u>	<u>15.42</u>	<u>16.78</u>	<u>14.67</u>
Net Asset Value End of Year	<u>\$15.58</u>	<u>\$14.37</u>	<u>\$13.26</u>	<u>\$15.42</u>	<u>\$16.78</u>
Shares Outstanding End of Year (thousands)	65,905	61,594	60,444	55,235	48,767
Ratio of Expenses to Average Net Assets44%	.47%	.44%	.43%	.47%
Ratio of Net Investment Income to Average Net Assets	3.83%	3.44%	2.81%	2.95%	3.50%
Portfolio Turnover Rate	30%	49%	54%	58%	52%

*Includes \$.06 per share of noncash income and special dividends received in 1989.

Summary of quarterly results of operations for the past two years (unaudited):

	Amounts in Thousands and Per Share							
	Three Months Ended							
	March 31, 1989		June 30, 1989		Sept. 30, 1989		Dec. 31, 1989	
Net Investment								
Income	\$ 8,573	\$.14	\$ 9,195	\$.14	\$ 9,644	\$.16	\$10,061	\$.16
Net Realized Gain & Change in Net Unrealized Appreciation . .	\$ 43,471	\$.69	\$ 53,867	\$.86	\$ 80,618	\$ 1.29	\$ 3,759	\$.06
	March 31, 1988		June 30, 1988		Sept. 30, 1988		Dec. 31, 1988	
Net Investment								
Income	\$ 6,651	\$.11	\$ 6,857	\$.11	\$ 8,432	\$.14	\$ 7,608	\$.13
Net Realized Gain & Change in Net Unrealized Appreciation . .	\$ 43,178	\$.71	\$ 43,474	\$.72	\$ 4,772	\$.08	\$ 9,605	\$.16

**To the Board of Directors and Shareholders of
The Lehman Corporation:**

In our opinion, the accompanying statement of assets and liabilities, including the statement of investments at December 31, 1989, and the related statements of operations and of changes in net assets and the selected per share data and ratios present fairly, in all material respects, the financial position of The Lehman Corporation (the "Corporation") at December 31, 1989 and 1988, the results of its operations and the changes in its net assets for the years then ended and the selected per share data and ratios for each of the five years in the period ended December 31, 1989, in conformity with generally accepted accounting principles. These financial statements and selected per share data and ratios (hereafter referred to as "financial statements") are the responsibility of the Corporation's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with generally accepted auditing standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities owned at December 31, 1989 and 1988 by correspondence with the custodian and brokers, provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE
New York, N.Y.
January 17, 1990

**Board of
Directors**

Charles F. Barber*†	Consultant; formerly Chairman, ASARCO Incorporated
E. Robert Breech, Jr.†	President, Dealer Operating Control Service Inc.
William R. Dill†	Director of the Office of Global Enterprise and Adjunct Professor, University of Southern Maine
Francis L. Fraenkel	Chairman and President; Chairman, Lehman Management Co.
Edwin A. Gee*	Formerly Chairman, International Paper Company
Clifford M. Kirtland, Jr.	Formerly Chairman, Cox Communications Inc.
Adelaide M. Schlafly	Private Investor
Thomas F. Schlafly*	Of counsel to law firm of Peper, Martin, Jensen, Maichel & Hetlage

Officers

Francis L. Fraenkel	Chairman and President
John A. Weed	Executive Vice President
James G. Fleischmann	Executive Vice President
Martin L. Roberts	Vice President
Anthony Forlano	Treasurer
Mary R. Stone	Secretary
Janet S. Tolchin	Assistant Secretary and Assistant Treasurer
Lehman Management Co. New York, N.Y.	Investment Adviser
The Bank of New York New York, N.Y.	Custodian, Transfer and Dividend Disbursing Agent
Simpson Thacher & Bartlett New York, N.Y.	Legal Counsel
Price Waterhouse New York, N.Y.	Independent Accountants

*Member Audit Committee

†Member Nominating Committee



*The Lehman Corporation
55 Water Street
New York, N. Y. 10041*