

1982 ANNUAL REPORT

LEHMAN

CORPORATION



Board of Directors

Edmund A. Hajim	<i>Chairman of the Board of the Corporation; Managing Director and Director of Lehman Brothers Kuhn Loeb Incorporated; Chairman of the Board, President and Director of Lehman Management Co., Inc.</i>
Charles F. Barber	Chairman of the Finance Committee, formerly Chairman of the Board, of ASARCO Incorporated
Robert H. Buckles‡	<i>President of the Corporation</i>
Fletcher L. Byrom	Formerly Chairman of the Board of Koppers Company, Inc.
Edgar R. Fiedler†‡	Vice President-Economic Research, The Conference Board
George H. Heyman, Jr.	Managing Director of Lehman Brothers Kuhn Loeb Incorporated
John M. Martin†	Formerly Chairman of the Board of Hercules Incorporated
Alexander N. McFarlane	Honorary Chairman of the Board of CPC International Inc.
Peter G. Peterson	Chairman of the Board of Lehman Brothers Kuhn Loeb Incorporated
Adelaide M. Schlafly†‡	Vice President of W. C. McBride-Silurian Oil Co.
Gerald H. Trautman	Honorary Chairman of the Board of The Greyhound Corporation

Honorary Directors

Alvin W. Pearson	Advisory Director of Lehman Brothers Kuhn Loeb Incorporated
John W. Reavis	Senior Partner of Jones, Day, Reavis & Pogue
F. Ritter Shumway	Honorary Director of Sybron Corporation
Frazar B. Wilde	Chairman Emeritus of Connecticut General Insurance Corporation

† Member Audit Committee

‡ Member Nominating Committee

**To the
Shareholders**



Edmund A. Hajim

The Lehman Corporation

55 Water Street
New York, N. Y. 10041

February 9, 1983

Dear Shareholder:

We are pleased to report that The Lehman Corporation's net asset value per share increased 22.8% in 1982, after adjustment for the distribution from long-term capital gain of \$2.01 paid to shareholders on March 2, 1982. This compares with increases of 19.6% for the Dow Jones Industrial Average and 14.8% for the Standard & Poor's Index of 500 Stocks.

The Corporation's total return was 30.0% in 1982, compared to 21.6% for the Standard & Poor's Index and 27.6% for the Dow Jones Average. The Corporation's total return was, of course, far in excess of the 3.9% increase in the Consumer Price Index during the year.

On January 18, 1983 the Board of Directors declared the final dividend from net investment income earned during 1982 amounting to \$0.175 per share. At the same meeting, the Board declared a distribution from net realized gain on the sale of investments during 1982 amounting to \$1.365 per share, including \$.045 per share from short-term gains. The amount of \$1.32 per share has been designated as a "capital gain dividend" under the Federal Internal Revenue Code. Both dividends are payable March 1, 1983 to shareholders of record February 1, 1983. Shareholders were given the option of receiving the distribution of \$1.54 per share in cash or in stock, valued at the lower of the net asset value per share or the average market price on February 15, 1983.

As you have been informed in earlier reports, the Corporation intends to repurchase shares of its own stock in the future when it is deemed advisable. We will continue to report all repurchases to shareholders in the

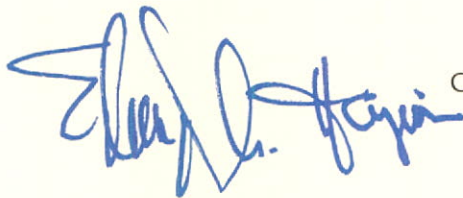
quarterly reports of the Corporation. In recent months the Corporation's stock has been priced at a relatively narrow discount or at a premium and no shares have been repurchased since June 1981.

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 in any amount over \$25.00 at any time to purchase more shares of the Lehman Corporation. A booklet describing the Plan in detail will be furnished to shareholders upon request.

Shareholders may be interested to know that Lehman Management Co., Inc., Lehman Corporation's adviser, now offers a tax-free money market fund. The Fund's objective is to provide as high a level of current income exempt from Federal income taxes as is consistent with preservation of capital and liquidity. You may receive a prospectus and other information upon request.

We are sorry to report that John S. Bugas, a Director of The Lehman Corporation since 1976, died on December 2, 1982. He had served on the Audit and Nominating Committees of the Board. Mr. Bugas was a retired Vice President of the Ford Motor Company. Mr. Bugas's broad experience and sound judgement contributed importantly to the Corporation. His wise counsel and friendship will be missed by all who worked with him and knew him.

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



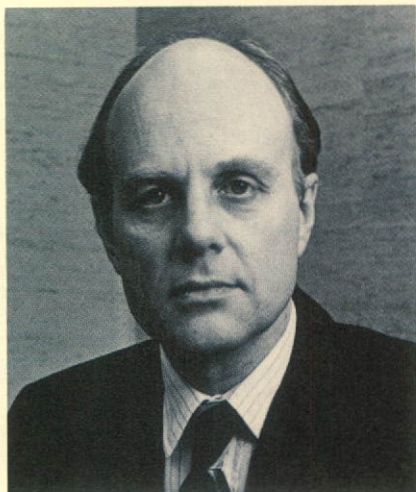
Cordially,

Edmund A. Hajim
Chairman of the Board



Robert H. Buckles
President

For information concerning your Lehman Corporation stock account please write The Bank of New York, Stock Transfer Department, 5th Floor, 90 Washington Street, New York, N. Y. 10015, or you may telephone collect (Area Code 212) 530-8055.



Robert H. Buckles

After having commented over the past several years on the remarkable resiliency of the stock market in the face of many economic and monetary problems, it is gratifying to be able to report that, having weathered these adversities, the market finally responded in the latter part of 1982 to the underlying decline in inflation and interest rates and to the incipient signs of an increase in corporate productivity. The environment in 1982 was exceptionally difficult for business both here and abroad, with unemployment in the industrialized nations of the world rising steadily and corporate profits and dividends declining sharply. Never-

theless, here at home, the rate of inflation fell and interest rates came down sharply in the second half of the year and equity investors rapidly developed confidence as stock prices closed the year near the highest level in history, as measured by the popular indices.

Recession has taken a severe toll but, by the same token, businesses have been forced to tighten internal controls, hold down wage increases, cut back excess staff and reduce inventories. The result has been higher productivity and the potential for improved earnings. We expect these will continue, even if, as widely predicted, economic recovery is sluggish. Moreover, with a much lower rate of inflation, the quality of corporate earnings will be higher than it has been in a decade. Profits will be less distorted by windfall markups and inadequate depreciation allowances. It is hoped that this can lead to higher price earnings multiples on stocks. We already have seen increased demand for housing and automobiles and are hopeful that the economic recovery has already started to spread to other areas of the economy.

We don't imagine that common stock prices will rise without interruption. They rarely do. And we continue to invest with caution.

We do believe that if economic recovery makes slow and steady progress, interest rates continue to stay down, and the government succeeds in reducing the deficit as conditions improve, we may well be in a major upward move in the stock market that can be sustained over a meaningful period of time. In these circumstances, we think carefully selected common stocks will continue to produce good results over the long term.

The Corporation's investment policy is outlined on the following pages.

**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 watched over carefully and are changed from time to time into areas 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 and income has increased over time.

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 application of this policy is illustrated in the table below. It compares the compound annual rates of growth of earnings and dividends per share of stocks in the Corporation's portfolio at the end of 1982 with those for stocks comprising the Standard & Poor's 500 Index for the five and ten-year periods ended December 31, 1982.

COMPOUND ANNUAL GROWTH RATES

	Periods Ended December 31, 1982			
	5 Years		10 Years	
	Earnings Per Share	Dividends Per Share	Earnings Per Share	Dividends Per Share
Lehman Portfolio*	11.9%	11.5%	14.6%	11.7%
S&P 500	3.8	7.9	7.4	8.3

* Weighted average growth rate of companies in The Lehman Corporation's portfolio at December 31, 1982.

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.

**Investment
Policy**
(continued)

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 exceed the yield available from money market instruments enough 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.

The results of this policy over the years are illustrated in the table below. It compares the Corporation's investment results for each ten-year period since 1957, assuming capital gain dividends were reinvested, with the results of the Dow Jones and Standard & Poor's industrial averages.

10-Year Periods	Percentage Gain or Loss (—)		
	S & P Industrials	Dow Jones Industrials	Lehman Corp. Asset Value*
1958-67	145.2%	107.7%	190.1%
1959-68	91.7	61.7	119.5
1960-69	57.3	17.8	99.0
1961-70	64.1	36.2	80.2
1962-71	48.9	21.8	84.0
1963-72	99.8	56.4	166.4
1964-73	37.7	11.5	85.3
1965-74	—14.7	—29.5	12.5
1966-75	2.4	—12.1	23.4
1967-76	40.1	27.9	48.0
1968-77	— .4	— 8.2	9.7
1969-78	— 5.1	—14.7	14.0
1970-79	19.2	4.8	50.6
1971-80	53.1	14.9	104.9
1972-81	21.6	— 1.7	52.3
1973-82	19.5	2.6	53.8
25-Year Period			
1958-82	267.8	140.2	520.6

* During the period, the market price of the Corporation's stock was sometimes above net asset value and sometimes below; accordingly, the table should not be construed as an indication of the record of a shareholder's investment in the Corporation based on market prices of the stock. Nor should it be construed as a representation of future performance of the Corporation's net asset value. Nevertheless, it is a record of the performance of the Corporation's asset value over a long and statistically meaningful period of time.

**Largest
Investments**

THE TEN LARGEST INVESTMENTS in the Corporation's portfolio at December 31, 1982 are listed below. The total market value of these high quality securities represented 25% 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, 1982 had an aggregate net asset value of \$16,640 of which 25%, or \$4,160, was invested in these ten securities.

	Shares	Market Value
International Business Machines <i>The largest manufacturer of information processing systems.</i>	405,000	\$ 38,981,250
NCR <i>A leading manufacturer of business information processing systems.</i>	218,500	18,791,000
Eastman Kodak <i>The world's leading manufacturer of photographic products.</i>	210,000	18,060,000
General Electric <i>A leading producer of diversified electrical products and electronic equipment.</i>	180,000	17,077,500
Northern Telecom <i>One of the largest manufacturers of telecommunication equipment in North America.</i>	200,000	14,000,000
McDonald's <i>The world's leading operator of fast food outlets.</i>	230,000	13,886,250
Ryder System <i>One of the world's largest truck leasing and rental operations.</i>	240,000	12,060,000
Southland Corporation <i>The leading U.S. operator of convenience stores.</i>	310,000	12,012,500
Procter & Gamble <i>A leading worldwide distributor of consumer nondurable products.</i>	100,000	11,825,000
Varian Associates <i>A leading producer of electronic instruments and devices used in industry, communication, medicine and defense.</i>	170,000	11,007,500
Total		<u>\$167,701,000</u>

Diversification of Net Assets

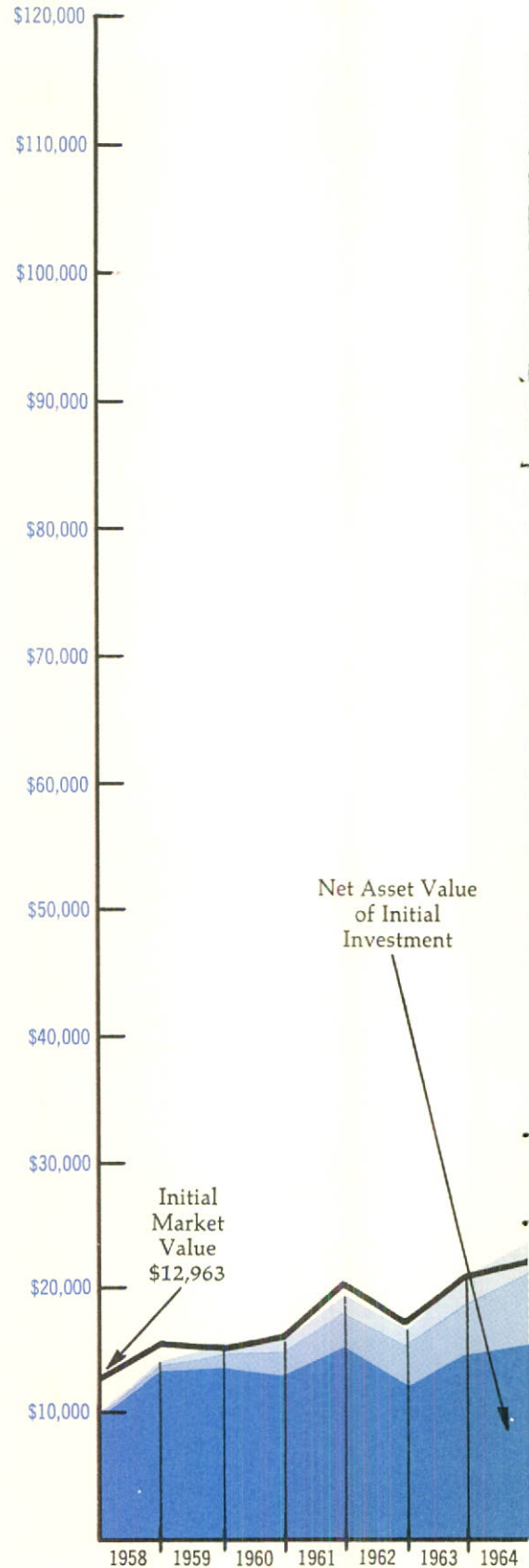
THE DIVERSIFICATION of the net assets of the Corporation by industry groups at December 31, 1982 is shown in the following statement which also compares the percentages of the Corporation's net assets invested in these industries at that date with the percentages invested in the same industries at the end of the two preceding years.

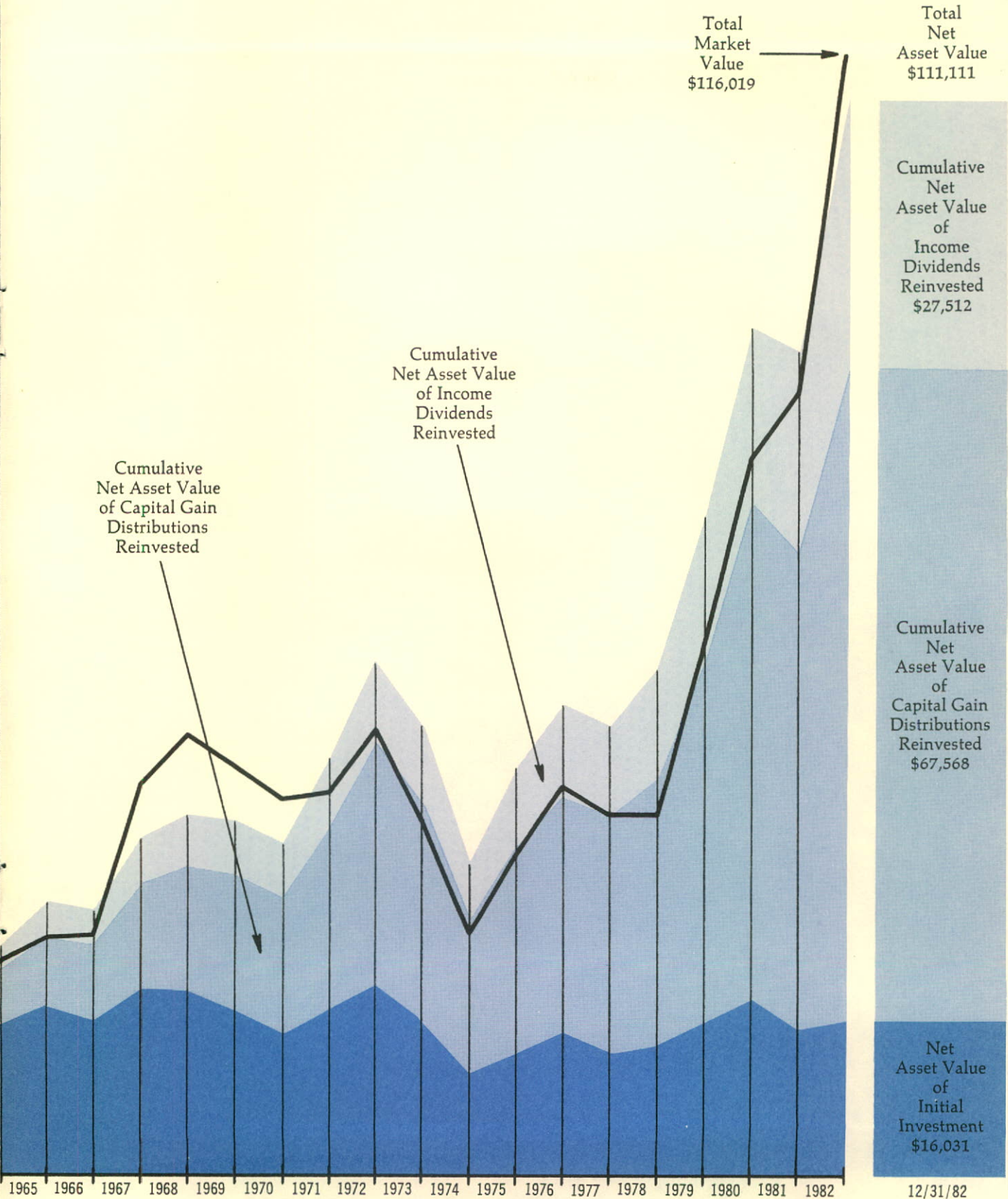
	<u>Cost</u>	<u>Value</u>	Percentage of Net Assets December 31,		
			1982	1981	1980
Stocks					
Automotive	\$ 10,454,173	\$ 11,904,775	1.8%	1.2%	.6%
Consumer Products & Services	29,328,652	43,367,000	6.4	6.9	4.4
Defense Electronics & Aerospace	28,324,331	43,218,250	6.4	5.2	1.2
Electronics & Electrical Equipment	33,686,015	61,452,500	9.1	6.0	3.5
Energy	22,686,706	30,838,750	4.6	11.7	15.4
Energy Servicing	4,673,184	9,162,500	1.4	6.0	9.1
Financial Services	29,350,661	38,408,325	5.7	8.2	8.0
Food & Beverage	5,856,009	10,275,000	1.5	4.7	2.6
Forest Products	4,973,420	5,287,950	0.8	—	1.1
Health Care	37,758,463	60,224,875	9.0	8.5	8.1
Merchandising	37,334,317	72,172,425	10.7	7.7	6.4
Office Equipment	30,533,241	83,364,500	12.4	9.4	11.0
Transportation	17,604,538	32,884,600	4.9	5.2	2.8
Miscellaneous	29,400,728	34,061,800	5.1	7.0	11.6
Total Investments in Stocks	<u>\$321,964,438</u>	536,623,250	79.8	87.7	85.8
U.S. Government Obligation		5,812,500	0.9	—	—
Cash and Other Assets (Net of Liabilities)		130,242,229	19.3	12.3	14.2
Total Net Assets		<u>\$672,677,979</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

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 1958 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 the 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		
1958	\$13,329	\$ 545	\$ 292	\$ 14,166	\$ 15,678
1959	13,521	1,254	575	15,350	15,174
1960	13,035	1,867	851	15,753	15,936
1961	15,217	2,965	1,299	19,481	20,504
1962	12,274	3,071	1,368	16,713	17,464
1963	14,369	4,421	1,956	20,746	20,951
1964	15,419	5,648	2,517	23,584	22,195
1965	17,408	7,374	3,321	28,103	24,885
1966	15,934	7,898	3,554	27,386	24,940
1967	19,239	10,948	4,888	35,075	40,617
1968	18,969	12,986	5,460	37,415	45,842
1969	16,975	14,268	5,535	36,778	42,528
1970	14,480	14,382	5,379	34,241	39,013
1971	17,216	18,973	7,105	43,294	39,672
1972	19,721	24,879	8,899	53,499	46,390
1973	15,896	22,339	7,897	46,132	37,045
1974	10,376	15,821	5,890	32,087	24,951
1975	12,669	21,382	7,976	42,027	33,558
1976	14,528	24,521	9,886	48,935	40,157
1977	12,640	24,569	9,495	46,704	37,377
1978	13,304	27,741	11,329	52,374	37,451
1979	15,819	37,206	15,435	68,460	54,722
1980	18,189	48,792	20,662	87,643	74,274
1981	14,990	49,433	20,601	85,024	81,282
1982	16,031	67,568	27,512	111,111	116,019





12/31/82

**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
Total	\$13.656	\$27.435			

†Capital gain dividend of \$1.01 per share and an income dividend of \$.02 per share for 1976 were declared in January 1977 (Note 5, page 18).

Major Portfolio Changes

Listed below are the Corporation's major portfolio changes during the three months ended December 31, 1982. Included in the list are certain securities purchased in prior quarters which were carried as "Other Stocks" in previous reports. Securities in process of accumulation, which are carried as "Other Stocks" on page 15, are not shown. Excluded from the list are changes resulting entirely from stock dividends and stock splits.

ADDITIONS

	Shares Increased	Shares Held Dec. 31, 1982
Alaska Airlines	150,000	150,000
Eastman Kodak	10,000	210,000
Firestone Tire & Rubber	233,300	233,300
General Electric	10,000	180,000
General Instrument	10,000	210,000
Grumman	55,000	150,000
Heileman (G.) Brewing	80,000	80,000
International Business Machines	5,000	405,000
James River Corporation of Virginia	90,000	90,000
Lilly (Eli)	140,000	140,000
McDonald's	35,000	230,000
Pioneer Corporation	30,000	255,000
Reichhold Chemicals	100,000	100,000
Sanders Associates	25,000	25,000
Schering-Plough	30,000	220,000
Scott Paper	92,800	92,800
Super Valu Stores	200,000	200,000
Thrifty Corporation	250,000	250,000
Uniroyal	350,700	350,700
White Consolidated Industries	50,000	50,000
Worthington Industries	100,000	100,000

REDUCTIONS

	Shares Decreased	Shares Held Dec. 31, 1982
Amerada Hess	300,000	—
Angelica	50,000	—
Avnet	40,000	100,000
Baker International	100,000	—
Bausch & Lomb	80,000	—
Baxter Travenol Laboratories	10,000	100,000
Burroughs	50,000	—
Dayton-Hudson	20,000	130,000
Digital Equipment	19,500	85,500
Dome Petroleum	300,000	—
Gulf Canada	280,000	—
Hewlett-Packard	40,000	40,000
Hospital Corporation of America	10,000	100,000
Lockheed	30,000	130,000
Lomas & Nettleton Mtge. Inv.	100,000	150,000
Monsanto	70,000	—
Northern Telecom	27,000	200,000
Pay 'N Pak Stores	33,300	208,700
PepsiCo	210,000	—
Procter & Gamble	40,000	100,000
Rohr Industries	175,000	—
Ryder System	20,000	240,000
SeaCo	122,100	—
U S Air	25,000	225,000
Walgreen	40,000	50,000
Wal-Mart Stores	40,000	150,000
Wang Laboratories "B"	30,000	150,000

**Portfolio of
Investments**

December 31, 1982

STOCKS

Shares		Cost	Value(a)
Automotive			
233,300	Firestone Tire & Rubber	\$ 3,651,905	\$ 4,316,050
102,000	Stanadyne	3,052,977	3,468,000
350,700	Uniroyal	3,749,291	4,120,725
		<u>10,454,173</u>	<u>11,904,775</u>
Consumer Products & Services			
222,100	Chesebrough-Pond's	5,134,649	9,994,500
210,000	Eastman Kodak	12,890,010	18,060,000
100,000	Procter & Gamble	7,560,420	11,825,000
75,000	RCA	2,039,073	1,687,500
50,000	White Consolidated Industries . .	1,704,500	1,800,000
		<u>29,328,652</u>	<u>43,367,000</u>
Defense Electronics & Aerospace			
100,000	E-Systems	2,512,617	5,025,000
150,000	Grumman	5,745,258	7,237,500
75,000	Hazeltine	1,845,816	3,000,000
130,000	Lockheed(e)	4,827,509	9,522,500
200,000	Raytheon	8,280,291	8,950,000
25,000	Sanders Associates	1,384,084	1,543,750
158,000	Watkins-Johnson	3,728,756	7,939,500
		<u>28,324,331</u>	<u>43,218,250</u>
Electronics & Electrical Equipment			
100,000	Avnet	4,198,121	6,000,000
180,000	General Electric	8,228,588	17,077,500
210,000	General Instrument	7,461,989	10,447,500
40,000	Hewlett-Packard	1,651,608	2,920,000
200,000	Northern Telecom	7,587,112	14,000,000
170,000	Varian Associates	4,558,597	11,007,500
		<u>33,686,015</u>	<u>61,452,500</u>

For explanation of notes (a) through (e), see page 15.

STOCKS

Shares		Cost	Value(a)
Energy			
100,000	Atlantic Richfield	\$ 1,758,094	\$ 4,200,000
400	Gas Properties (100% owned) ..	40,000	1,232,000(b)
60,000	Kerr-McGee	216,291	1,725,000
600,000	Magma Power(e)(f)	1,885,650	3,375,000
80,000	Mesa Offshore Trust	92,120	160,000
80,000	Mesa Petroleum	445,664	940,000
255,000	Pioneer Corporation	6,765,889	5,227,500
130,000	Texas Oil & Gas	3,558,679	4,420,000
150,000	Transco Energy	4,651,430	3,843,750
100,000	Union Oil Co. of California	3,272,889	2,662,500
	Oil Royalty Interests	—	3,053,000(b)
		<u>22,686,706</u>	<u>30,838,750</u>
Energy Servicing			
200,000	Big Three Industries	3,329,491	4,500,000
100,000	Schlumberger	1,343,693	4,662,500
		<u>4,673,184</u>	<u>9,162,500</u>
Financial Services			
225,000	Beneficial Corporation	3,936,988	5,512,500
130,000	Farmers Group	2,537,529	4,582,500
60,000	Gibraltar Savings Association (e)	954,888	720,000
150,000	Lomas & Nettleton Mtge. Inv. ..	2,799,227	4,462,500
210,000	Security Pacific	6,193,532	7,770,000
300,000	Southeast Banking	4,119,870	6,000,000
133,400	Texas Commerce Bancshares ...	2,710,377	4,985,825
250,000	Valley National Corp. of Arizona	6,098,250	4,375,000
		<u>29,350,661</u>	<u>38,408,325</u>
Food & Beverage			
110,000	Anheuser-Busch Companies ...	2,760,549	7,095,000
80,000	Heileman (G) Brewing	3,095,460	3,180,000
		<u>5,856,009</u>	<u>10,275,000</u>
Forest Products			
90,000	James River Corp. of Virginia ..	3,122,637	3,408,750
92,800	Scott Paper	1,850,783	1,879,200
		<u>4,973,420</u>	<u>5,287,950</u>

STOCKS

Shares		Cost	Value(a)
Health Care			
125,000	American Hospital Supply	\$ 2,631,544	\$ 5,031,250
100,000	Baxter Travenol Laboratories ..	1,337,019	4,837,500
100,000	Bristol-Myers	688,462	6,725,000
100,000	Hospital Corporation of America	1,083,672	5,550,000
107,000	Johnson & Johnson	2,897,465	5,309,875
140,000	Lilly (Eli)	8,179,501	8,050,000
110,000	Merck	5,951,931	9,308,750
220,000	Schering-Plough	7,626,249	8,662,500
300,000	Sterling Drug	7,362,620	6,750,000
		<u>37,758,463</u>	<u>60,224,875</u>
Merchandising			
130,000	Dayton-Hudson	2,504,216	7,166,250
230,000	McDonald's	4,582,736	13,886,250
208,700	Pay 'N Pak Stores	2,748,667	4,226,175
100,000	SCOA Industries	2,524,788	3,725,000
175,000	Service Merchandise	2,657,564	4,900,000
310,000	Southland Corporation	7,612,954	12,012,500
200,000	Super Valu Stores	5,053,390	5,175,000
250,000	Thrifty Corporation	4,671,830	4,656,250
50,000	Walgreen	1,299,276	2,806,250
150,000	Wal-Mart Stores	591,055	7,481,250
100,000	Zayre	3,087,841	6,137,500
		<u>37,334,317</u>	<u>72,172,425</u>
Office Equipment			
180,000	Automatic Data Processing	3,657,115	6,660,000
200,000	Bell & Howell	3,921,373	6,000,000
85,500	Digital Equipment(e)	4,087,505	8,507,250
405,000	International Business Machines.	8,926,922	38,981,250
218,500	NCR	7,867,299	18,791,000
150,000	Wang Laboratories "B"	2,073,027	4,425,000
		<u>30,533,241</u>	<u>83,364,500</u>
Transportation			
150,000	Alaska Airlines	1,883,793	1,987,500
230,000	Ozark Air Lines	2,600,120	3,565,000
156,600	Purolator	3,349,491	7,790,850
240,000	Ryder System	5,848,264	12,060,000
225,000	U S Air	3,922,870	7,481,250
		<u>17,604,538</u>	<u>32,884,600</u>

STOCKS

Shares		Cost	Value(a)
	Miscellaneous		
140,000	Minnesota Mining & Mfg.	\$ 8,075,732	\$ 10,500,000
195,450	Moore McCormack Resources ..	4,500,803	4,397,625
100,000	Reichhold Chemicals	1,925,693	1,900,000
128,000	TRW	6,318,261	8,656,000
200,000	U.S. Home	5,446,562	5,425,000
100,000	Worthington Industries	2,344,900	2,350,000
	Other Stocks	788,777	833,175
		<u>29,400,728</u>	<u>34,061,800</u>
	Total Investments in Stocks	<u>\$321,964,438</u> (d)	<u>\$536,623,250</u>

**U.S.
GOVERNMENT
OBLIGATION**

Face Amount (thousands)			
\$ 5,000	U.S. Treasury Note 13 ³ / ₄ % due 5/15/92	\$ 4,781,250(d)	\$ 5,812,500

**CORPORATE
SHORT-TERM
NOTES**

Face Amount (thousands)		
\$24,275	American Express Credit due 1/13/83-1/20/83	\$ 24,187,745(c)
15,000	Amoco Credit due 1/4/83	14,986,100(c)
12,800	ARCO Credit due 1/5/83-1/13/83	12,777,643(c)
4,525	General Electric Credit due 1/11/83	4,513,075(c)
36,725	General Motors Acceptance due 1/4/83-1/26/83	36,574,798(c)
26,700	Sears Roebuck Acceptance due 1/3/83-1/24/83	26,642,560(c)
12,000	Standard Oil (Ohio) due 1/3/83-1/4/83	11,990,279(c)
	Total Corporate Short-Term Notes	<u>\$131,672,200</u>

Notes:

- (a) Unless otherwise indicated, market values are based on the last reported sales on December 31, 1982, 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) Cost plus discount earned, which approximates market value. The annualized "yield to maturity" as of dates of purchase of these securities ranged from 8% to 9¹/₂%.
- (d) Average cost of investments. Identified cost for Federal income tax purposes was \$322,558,406 for stocks and \$4,781,250 for U.S. Government Obligations.
- (e) Non-income producing security.
- (f) The Corporation owns more than 5% but less than 10% of the outstanding voting securities of this company.

**Statements of
Operations**

Investment Income

	Year 1982	Year 1981
Income:		
Dividends (Note 2)	\$ 17,031,428	\$ 18,656,415
Interest	10,042,945	9,468,171
Oil Royalties & Other Income	661,144	482,642
	<u>27,735,517</u>	<u>28,607,228</u>
Expenses:		
Management Fee (Note 6)	2,204,079	2,223,531
Shareholder Services	204,636	195,014
Shareholder Meeting & Reports	151,825	145,787
Legal & Auditing Fees	63,353	56,277
Directors' Fees (Note 7)	59,880	36,000
Custody of Securities	43,359	43,374
Stock Certificates & Listing Fees	35,547	54,318
Miscellaneous	34,330	32,562
Refund of State & City Taxes, Net	—	[9,086]
	<u>2,797,009</u>	<u>2,777,777</u>
Net Investment Income (Note 4)	<u>\$ 24,938,508</u>	<u>\$ 25,829,451</u>

**Realized Gain and Change in
Net Unrealized Appreciation**

Realized Gain from Security Transactions:		
Proceeds from Securities Sold	\$269,221,680	\$198,328,414
Cost of Securities Sold	[220,745,875]	[120,896,360]
Realized Gain	48,475,805	77,432,054
Refund of State & City Taxes, Net	—	25,058
Net Realized Gain from Security Transactions	<u>48,475,805</u>	<u>77,457,112</u>
Net Unrealized Appreciation of Investments:		
Beginning of Period	132,039,170	246,367,998
End of Period	215,690,062	132,039,170
Change in Net Unrealized Appreciation of Investments	<u>83,650,892</u>	<u>[114,328,828]</u>
Net Realized Gain and Change in Net Unrealized Appreciation (Notes 3 and 4)	<u>\$132,126,697</u>	<u>\$ [36,871,716]</u>

See Notes to Financial Statements on pages 18 and 19.

**Statement of
Assets and
Liabilities**

	December 31,	
	1982	1981
Assets		
Investments in Stocks (average cost 1982— \$321,964,438; 1981—\$371,015,099) (Note 2)	\$536,623,250	\$503,054,269
U.S. Government Obligation	5,812,500	—
Corporate Short-Term Notes (Note 2) ..	131,672,200	68,888,191
Cash	366,509	310,018
Receivable for Securities Sold	425,866	746,529
Dividends and Interest Receivable	1,204,305	1,366,379
Total Assets	676,104,630	574,365,386
Liabilities		
Payable for Securities Purchased	2,758,917	—
Management Fee Payable	610,549	560,557
Accrued Expenses & Taxes	57,185	68,923
Total Liabilities	3,426,651	629,480
Net Assets	\$672,677,979	\$573,735,906
Shares of Capital Stock, \$1.00 par value:		
Authorized	50,000,000	50,000,000
Issued	40,433,959	37,129,654
Held in Treasury	—	[267,130]
Issued and Outstanding	40,433,959	36,862,524
Net Asset Value Per Share	\$16.64	\$15.56

**Statement of
Changes in
Net Assets**

	Year 1982	Year 1981
From Investment Activities:		
Net Investment Income	\$ 24,938,508	\$ 25,829,451
Dividends from Investment Income (Note 5)	[27,779,538]	[25,723,670]
Net Realized Gain	48,475,805	77,457,112
Distribution from Realized Gain (Note 5) .	[74,093,673]	[69,633,022]
Change in Net Unrealized Appreciation ..	83,650,892	[114,328,828]
Change in Net Assets from Investment Activities	55,191,994	[106,398,957]
From Capital Share Transactions:		
Value of Shares Issued in Payment of Dividends (Note 9)	43,750,079	39,212,006
Cost of Shares Repurchased (Note 9)	—	[3,649,309]
Change in Net Assets from Capital Share Transactions	43,750,079	35,562,697
Change in Net Assets	98,942,073	[70,836,260]
Net Assets at Beginning of Year	573,735,906	644,572,166
Net Assets at End of Year	\$672,677,979	\$573,735,906

See Notes to Financial Statements on pages 18 and 19.

**Notes to
Financial
Statements**

- (1) The Corporation is registered under the Investment Company Act of 1940, as amended, as a diversified closed-end investment company of the management type.
- (2) Investments are carried at market or fair value and corporate short-term notes are carried at cost plus discount earned (see notes, page 15). Security transactions are recorded on the trade date. Dividend income and dividends payable are recorded on the "ex-dividend" date. A total of \$868,000 was received in 1982 on stocks of companies more than 5% of whose outstanding voting securities were owned by the Corporation.
- (3) 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. On this identified cost basis the net realized gain for the year ended December 31, 1982 amounted to \$55,056,254 (equivalent to \$1.36½ per share).
- (4) 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 substantially all Federal income taxes.
- (5) Commencing in 1976, the Board of Directors adopted the policy of considering the declaration of income dividends after the close of each calendar quarter and distributions from realized gain after the close of the year. On January 18, 1983 the Board of Directors declared for the year 1982 an income dividend of \$.17½ per share and a distribution from realized gain of \$1.36½ per share, which includes \$.04½ per share from short-term gains.
- (6) The management agreement between the Corporation and Lehman Management Co., Inc., a wholly-owned subsidiary of Lehman Brothers Kuhn Loeb Incorporated, provides that, subject to the supervision of the Board of Directors of the Corporation, Lehman Management Co., Inc. shall manage the investment operations of the Corporation, furnish the Corporation with office space and pay the compensation of its officers and employees. 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%.
- (7) During the year 1982, directors, other than those who were officers of Lehman Brothers Kuhn Loeb Incorporated or employees of the Corporation or Lehman Management Co., Inc., were paid fees of \$59,880 for attendance at Directors', Executive, Audit and Nominating Committee meetings.
- (8) The cost of securities purchased and proceeds from securities sold during the year 1982, other than corporate short-term notes, aggregated \$171,754,914 and \$269,221,680, respectively. The cost of U.S. Government Obligations purchased during the year was \$4,781,250.

Supplementary
Information

(9) Capital stock transactions were as follows:

	<u>1982</u>	<u>1981</u>
Shares Issued in Payment of Dividends	3,571,435	2,988,720
Shares Repurchased (weighted average discount 1981—15.2%) ..	—	[267,130]
Net Increase	<u>3,571,435</u>	<u>2,721,590</u>

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

	<u>1982</u>	<u>1981</u>	<u>1980</u>	<u>1979</u>	<u>1978</u>
Investment Income	\$.69	\$.78	\$.74	\$.58	\$.49
Expenses	[.07]	[.08]	[.07]	[.07]	[.07]
Net Investment Income62	.70	.67	.51	.42
Dividends from Investment Income	[.71]	[.72]	[.55]	[.42]	[.34]
Net Realized Gain, Change in Net Unrealized Appreciation & Capital Share Transactions	3.18	[1.26]	3.52	3.43	1.06
Distributions from Realized Gain*	[2.01]	[2.04]	[1.18]	[.91]	[.45]
Net Asset Value Beginning of Year	<u>15.56</u>	<u>18.88</u>	<u>16.42</u>	<u>13.81</u>	<u>13.12</u>
Net Asset Value End of Year..	<u>\$16.64</u>	<u>\$15.56</u>	<u>\$18.88</u>	<u>\$16.42</u>	<u>\$13.81</u>
Shares Outstanding End of Year (thousands)	40,434	36,863	34,141	33,249	32,669
Ratio of Expenses to Average Net Assets51%	.47%	.43%	.47%	.50%
Portfolio Turnover Rate	36%	35%	21%	20%	23%

*Includes net short-term capital gain of \$.04 per share in 1981, \$.07 per share in 1980 and \$.10 per share in 1979.

Summary of quarterly results of operations for the past two years:

	Amounts in Thousands and Per Share Three Months Ended							
	<u>March 31, 1981</u>		<u>June 30, 1981</u>		<u>September 30, 1981</u>		<u>December 31, 1981</u>	
Net Investment Income	\$ 6,902	\$.19	\$ 6,238	\$.17	\$ 6,504	\$.17	\$ 6,185	\$.17
Net Realized Gain & Change in Net Unrealized Appreciation ..	\$ 8,791	\$.24	\$ [5,749]	\$ [.16]	\$ [74,743]	\$ [2.03]	\$ 34,829	\$.94
	<u>March 31, 1982</u>		<u>June 30, 1982</u>		<u>September 30, 1982</u>		<u>December 31, 1982</u>	
Net Investment Income	\$ 6,358	\$.16	\$ 6,313	\$.15	\$ 5,954	\$.15	\$ 6,314	\$.16
Net Realized Gain & Change in Net Unrealized Appreciation ..	\$ [38,763]	\$ [.96]	\$ 1,383	\$.04	\$ 69,202	\$ 1.71	\$ 100,305	\$ 2.48

**Report of
Independent
Accountants**

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

In our opinion, the accompanying Statement of Assets and Liabilities (including the Portfolio of Investments at December 31, 1982), and the related Statements of Operations and of Changes in Net Assets and the Supplementary Information present fairly the financial position of The Lehman Corporation at December 31, 1982 and 1981, the results of its operations and the changes in its net assets for the years then ended and the supplementary information for each of the five years in the period ended December 31, 1982, all in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements and the supplementary information were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, including confirmation of securities owned at December 31, 1982 and 1981 by correspondence with the custodian and brokers.

PRICE WATERHOUSE

153 East 53rd Street
New York, N.Y.
January 20, 1983

Officers

Edmund A. Hajim	Chairman of the Board
Robert H. Buckles	President
C. Charles Hetzel	Vice President
Martin L. Roberts	Vice President
W. L. Williams	Vice President & Treasurer
Boniface A. Zaino	Investment Vice President
Anthony Forlano	Secretary & Assistant Treasurer
Barnett Teich	Assistant Secretary & Assistant Treasurer
Richard Ensling	Assistant Treasurer

Lehman Management Co., Inc. Investment Adviser
New York, N.Y.

Sullivan & Cromwell Legal Counsel
New York, N.Y.

Price Waterhouse Independent Accountants
New York, N.Y.

The Bank of New York Custodian, Transfer and Dividend Paying Agent
New York, N.Y.

**The
Lehman
Corporation**

55 Water Street
New York, N. Y. 10041