

Award
NASD Dispute Resolution, Inc.

In the Matter of the Arbitration Between:

Darrel Flanel, (Claimant) vs. Lehman Brothers Inc., Lehman Brothers Holdings, Inc., Lehman Brothers Holdings, Inc. Employee Incentives Plan and the Committee of the Lehman Brothers Holdings, Inc. Employee Incentive Plan, (Respondents)

Case Number: 00-03341

Hearing Site: New York, New York

REPRESENTATION OF PARTIES

Claimant, Darrel Flanel, hereinafter referred to as "Claimant": Paula G. A. Ryan, Esq., Rosen, Preminger & Bloom, Attorneys at Law, New York, NY.

Respondents, Lehman Brothers Inc., Lehman Brothers Holdings, Inc., Lehman Brothers Holdings, Inc. Employee Incentives Plan and the Committee of the Lehman Brothers Holdings, Inc. Employee Incentive Plan, hereinafter collectively referred to as "Respondents": Susan Kohn, Esq., Kramer, Levin, Naftalis & Frankel, LLP, New York, NY.

CASE INFORMATION

Statement of Claim filed on or about: August 1, 2000.

Reply to Respondents' Counterclaim filed by Claimant on or about: November 21, 2002.

Claimant signed the Uniform Submission Agreement: July 20, 2000.

Statement of Answer and Counterclaim filed by Respondents on or about: November 10, 2000.

Respondent Lehman Brothers, Inc. signed the Uniform Submission Agreement: November 10, 2000.

CASE SUMMARY

Claimant asserted the following causes of action: breach of contract; fraud and misrepresentation; breach of fiduciary duty; refusal to deliver compensation in the form of restricted stock units ("RSUs") pursuant to Respondents' Stock Award Programs.

Unless specifically admitted in its Answer, Respondent denied the allegations made in the Statement of Claim and asserted the following defenses: Pursuant to Respondents' Stock Award Programs' plan, Claimant forfeited all his RSUs that had not vested since he resigned from Respondents' employ of his own accord and became associated with a competitor within one month of his departure.

Respondents asserted the following Counterclaim: Claimant was issued additional vested stock on July 1, 1999 that should have been forfeited on account of Claimant's competitive activity prior to that time.

Unless specifically admitted in its Reply, Claimant denied the allegations made in the Counterclaim and asserted the following defenses: Since Claimant was terminated involuntarily by Lehman and without cause, he did not forfeit his right to the unvested shares and is not subject to the restriction preventing employees from working for competitors.

RELIEF REQUESTED

Claimant requested:

1. Specific performance, directing Respondents to deliver to Claimant all of the RSUs and Lehman stock to which he is entitled to under the Stock Award Programs and the Stock Award Programs for Senior Vice Presidents in which he was a participant from 1994 to 1998; or compensatory damages equivalent to the market value of such stock; and
2. Recovery of all costs, attorney's fees and further relief as the Panel deems just and proper.

Respondents requested:

1. Dismissal of Claimant's claims in their entirety;
2. Specific performance, directing Claimant to deliver to Respondent the shares of Lehman stock (calculated on a post-split basis) issued to Claimant on July 1, 1999, or, in the alternative, the cash equivalent of such stock; and
3. Recovery of all costs, attorney's fees and further relief as the Panel deems just and proper.

OTHER ISSUES CONSIDERED AND DECIDED

The parties have agreed that the Award in this matter may be executed in counterpart copies or that a handwritten, signed Award may be entered.

AWARD

After considering the pleadings, the testimony and evidence presented at the hearing, the Panel has decided in full and final resolution of the issues submitted for determination as follows:

Claimant's claims are hereby dismissed in their entirety. Respondents' counterclaims are hereby dismissed in their entirety. All other requests for relief are hereby denied.

FEEs

Pursuant to the Code, the following fees are assessed:

Filing Fees

NASD Dispute Resolution, Inc. will retain or collect the non-refundable filing fees for each claim:

Initial claim filing fee	= \$ 250.00
Counter claim filing fee	= \$ 500.00

Member Fees

Member fees are assessed to each member firm that is a party in these proceedings or to the member firm that employed the associated person at the time of the events giving rise to the dispute. In this matter, Lehman Brothers, Inc. is a party.

Member surcharge	= \$ 1,200.00
Pre-hearing process fee	= \$ 600.00
Hearing process fee	= \$ 2,000.00

Forum Fees and Assessments

The Panel assesses forum fees for each hearing session conducted. A hearing session is any meeting between the parties and the arbitrators, including a pre-hearing conference with the arbitrators, that lasts four (4) hours or less. Fees associated with these proceedings are:

One (1) Pre-hearing session with Panel x \$ 1,000.00	= \$ 1,000.00
Pre-hearing conference: May 2, 2001	1 session
Four (4) Hearing sessions x \$ 1,000.00	= \$ 4,000.00
Hearing Dates: April 23, 2002	2 sessions
April 24, 2002	2 sessions
Total Forum Fees	= \$ 5,000.00

The Panel has assessed 50% of the forum fees against Claimant and 50% of the forum fees jointly and severally against Respondents.

Fee Summary

1. Claimant be and hereby is solely liable for:

Initial Filing Fee	= \$ 250.00
<u>Forum Fees</u>	<u>= \$ 2,500.00</u>
Total Fees	= \$ 2,750.00
<u>Less payments</u>	<u>= \$ 1,425.00</u>
Balance Due NASD Dispute Resolution, Inc.	= \$ 1,325.00

2. Respondent Lehman Brothers, Inc. is liable for:

Member Fees	= \$ 3,800.00
<u>Less payments</u>	<u>= \$ 1,800.00</u>
Balance Due NASD Dispute Resolution, Inc.	= \$ 2,000.00

3. Respondents be and hereby are jointly & severally liable for:

Counterclaim Filing Fee	= \$ 500.00
<u>Forum Fees</u>	<u>= \$ 2,500.00</u>
Total Fees	= \$ 3,000.00
<u>Less payments</u>	<u>= \$ 0.00</u>
Balance Due NASD Dispute Resolution, Inc.	= \$ 3,000.00

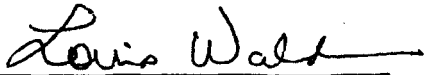
All balances are due and payable to NASD Dispute Resolution, Inc.

ARBITRATION PANEL

Louis Wald, Esq.	-	Industry Arbitrator, Presiding Chair
Joseph A. Vallo, Esq.	-	Industry Arbitrator
Linda T. Pellegrino, Esq.	-	Industry Arbitrator

Concurring Arbitrators' Signatures

I, the undersigned arbitrator, do hereby affirm, pursuant to Article 7507 of the Civil Practice Law and Rules, that I am the individual described herein and who executed this instrument which is my award.



Louis Wald, Esq.
Industry Arbitrator, Presiding Chair

Signature Date

Joseph A. Vallo, Esq.
Industry Arbitrator

Signature Date

Linda T. Pellegrino, Esq.
Industry Arbitrator

Signature Date

May 10, 2002
Date of Service (For NASD office use only)

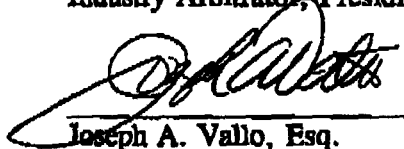
ARBITRATION PANEL

Louis Wald, Esq.	-	Industry Arbitrator, Presiding Chair
Joseph A. Vallo, Esq.	-	Industry Arbitrator
Linda T. Pellegrino, Esq.	-	Industry Arbitrator

Concurring Arbitrators' Signatures

I, the undersigned arbitrator, do hereby affirm, pursuant to Article 7507 of the Civil Practice Law and Rules, that I am the individual described herein and who executed this instrument which is my award.

Louis Wald, Esq.
Industry Arbitrator, Presiding Chair



Joseph A. Vallo, Esq.
Industry Arbitrator

Signature Date


Signature Date

Linda T. Pellegrino, Esq.
Industry Arbitrator

Signature Date

May 10, 2002

Date of Service (For NASD office use only)

ARBITRATION PANEL

Louis Wald, Esq.	-	Industry Arbitrator, Presiding Chair
Joseph A. Vallo, Esq.	-	Industry Arbitrator
Linda T. Pellegrino, Esq.	-	Industry Arbitrator

Concurring Arbitrators' Signatures

I, the undersigned arbitrator, do hereby affirm, pursuant to Article 7507 of the Civil Practice Law and Rules, that I am the individual described herein and who executed this instrument which is my award.

Louis Wald, Esq.
Industry Arbitrator, Presiding Chair

Signature Date

Joseph A. Vallo, Esq.
Industry Arbitrator

Signature Date


Linda T. Pellegrino, Esq.
Industry Arbitrator

5/2/02
Signature Date

May 10, 2002
Date of Service (For NASD office use only)