

SECURITIES AND EXCHANGE COMMISSION

Securities Act of 1933

Release No. 7742 / September 22, 1999

Securities Exchange Act of 1934

Release No. 41898 / September 22, 1999

Investment Advisers Act of 1940

Release No. 1831 / September 22, 1999

Investment Company Act of 1940

Release No. 24049 / September 22, 1999

Administrative Proceeding File No. 3-10024

IN THE MATTER OF PHILIP A. LEHMAN AND TOWER EQUITIES, INC.

The Securities and Exchange Commission (Commission) instituted public administrative proceedings pursuant to Sections 8A of the Securities Act of 1933 (Securities Act), Sections 15(b), 19(h) and 21C of the Securities Exchange Act of 1934 (Exchange Act) and Sections 203(e), 203(f), and 203(k) of the Investment Advisers Act of 1940 (Advisers Act) and Section 9(b) of the Investment Company Act of 1940 against Philip A. Lehman (Lehman) and Tower Equities, Inc. (Tower Equities), a registered broker-dealer and investment adviser. The Order Instituting Proceedings (Order) alleges that Lehman and Tower Equities, which is owned by Lehman, violated Sections 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, Sections 206(1) and (2) of the Advisers Act and that Tower Equities violated Section 15(c)(1)(A) of the Exchange Act and Rule 15c1-2 thereunder.

Specifically, the Order alleges that, between February and October 1997, Lehman and Tower Equities solicited and sold \$4.3 million worth of units issued in a private placement offering by Tower Venture 97-A, Ltd (Tower Venture), an Ohio limited liability company. According to the Order, Lehman and Tower Equities falsely represented that Tower Venture would raise \$10 million to use as a "loan repayment premium" on a \$30 million loan from Credit Austerlitz Finances, Ltd., a European entity, that Tower Venture would not have to make any further payments on this loan and that a standby letter of credit, issued by a major European bank, would guarantee the loan. The Order further alleges that Lehman and Tower Equities represented, without any reasonable basis, that Tower Venture would use the proceeds from the loan to immediately repay investors their principal plus interest at a rate of at least 23 percent annually and would invest the remainder of the loan proceeds in viatical insurance policies that would provide an annual rate of return of 33 percent. The Order asserts that the loan transaction did not exist, that a standby letter of credit would be issued by one of several European banks identified by Lehman and Tower Equities and that neither Lehman nor Tower Equities conducted reasonable due diligence in connection with the Tower Venture offering.

The Order also alleges that, in from August to December 1998, Lehman and Tower Equities raised an additional \$5.8 million by selling, in private placement offerings, units of Lifetime Assets LLC (Lifetime), Baylor/Gavic LLC (Baylor) and Wellington LLC (Wellington). According to the Order, Lehman and Tower Equities represented, without any reasonable basis, that the investors would earn up to a 100 percent return on their investment as quickly as 25 days after each company engaged in unspecified transactions in the United States and Europe. The Order further alleges that Lehman and Tower Equities had no contractual or other arrangements with anyone to invest the funds raised from these offerings.

A hearing will be scheduled to determine what, if any, remedial action is appropriate against Lehman and Tower Equities, whether they should be ordered to cease and desist from violating the federal securities laws and whether they each should be ordered to pay a civil penalty.