FORM S-3

Registration statement for specified transactions by certain issuers

Filing Date: **1994-01-07**
SEC Accession No. 0000950123-94-000097

FILER

SHEARSON LEHMAN BROTHERS INC

CIK:**728586**| IRS No.: **132518466** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **S-3** | Act: **33** | File No.: **033-51837** | Film No.: **94500712**
SIC: **6211** Security brokers, dealers & flotation companies

Mailing Address	Business Address
AMERICAN EXPRESS TOWER	*AMERICAN EXPRESS TWR*
WORLD FINANCIAL CENTER	*WORLD FINANCIAL CTR*
ATTN: GEN COUNSEL	*NEW YORK NY 10285*
NEW YORK NY 10285	*2122982000*

POST-EFFECTIVE AMENDMENT NO. 1 TO REGISTRATION STATEMENT NO. 33-28381,

POST-EFFECTIVE AMENDMENT NO. 2 TO REGISTRATION STATEMENT NO. 33-9541, AND

POST-EFFECTIVE AMENDMENT NO. 3 TO REGISTRATION STATEMENT NOS. 33-4694, 2-95523
AND 2-83903
AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JANUARY 7, 1994
REGISTRATION NO.

- ---

- ---

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-3
REGISTRATION STATEMENT
AND POST-EFFECTIVE AMENDMENTS
UNDER

THE SECURITIES ACT OF 1933

LEHMAN BROTHERS INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

<TABLE>
<S> <C>

DELAWARE	13-2518466
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

</TABLE>

THREE WORLD FINANCIAL CENTER
NEW YORK, NEW YORK 10285
(212) 298-2000

(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

DAVID MARCUS, ESQ.
GENERAL COUNSEL
LEHMAN BROTHERS INC.
THREE WORLD FINANCIAL CENTER
NEW YORK, NEW YORK 10285
(212) 298-2000

(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

COPIES TO:

<TABLE>
<S> <C>

MAXINE L. GERSON, ESQ. LEHMAN BROTHERS INC. 2 WORLD TRADE CENTER 15TH FLOOR NEW YORK, NEW YORK 10048	RAYMOND W. WAGNER, ESQ. SIMPSON THACHER & BARTLETT 425 LEXINGTON AVENUE NEW YORK, NEW YORK 10017

</TABLE>

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: From time to time after the effective date of this Registration Statement, as determined in light of market conditions.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. / /

If any of the securities being registered on this Form are to be offered on

a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. /X/

CALCULATION OF REGISTRATION FEE

<TABLE>
<CAPTION>

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED(1)(2)	PROPOSED MAXIMUM PRICE PER UNIT	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(3)	AMOUNT OF REGISTRATION FEE
<S>	<C>	<C>	<C>	<C>
Senior Subordinated Debt Securities.....	$800,000,000	100%	$800,000,000	$275,862

</TABLE>

(1) Includes the amount, if any, that may be acquired and sold by an affiliate of the Registrant in connection with certain market making activities of such affiliate.
(2) Or, if any Debt Securities are issued at an original issue discount, such greater amount as shall result in aggregate gross proceeds of U.S. $800,000,000 to the Registrant.
(3) Estimated solely for the purpose of calculating the registration fee.

Pursuant to Rule 429 under the Securities Act of 1933, the first Prospectus herein is a combined prospectus and also relates to Registration Statement No. 33-28381 previously filed with the Commission on Form S-3 and declared effective June 9, 1989. Pursuant to Rule 429 under the Securities Act of 1933, the second prospectus herein is a combined prospectus and also relates to Registration Statement Nos. 33-9541, 33-4694, 2-95523, 2-83903, all previously filed on Form S-3 and declared effective on October 24, 1986, April 17, 1986, February 28, 1985, June 13, 1983, respectively, and Registration Statement No. 33-28381. This Registration Statement also constitutes Post-Effective Amendment No. 1 to Registration Statement No. 33-28381, Post Effective Amendment No. 2 to Registration Statement No. 33-9541 and Post Effective Amendment No. 3 to Registration Statement Nos. 33-4694, 2-95523 and 2-83903.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION, DATED JANUARY 7, 1994

LEHMAN BROTHERS INC.

SENIOR SUBORDINATED DEBT SECURITIES

Lehman Brothers Inc. (the "Company") from time to time may issue in one or more series its senior subordinated debt securities (the "Securities") from which the Company will receive up to an aggregate of $825,000,000 of proceeds.

The Securities of each series will be offered on terms determined at the time of sale. The Securities will be unsecured and will rank equally with all other senior subordinated indebtedness of the Company. The specific designation, aggregate principal amount, rate (or method of calculation) and time of payment of any interest, authorized denominations, maturity, offering price, any redemption terms or other specific terms of the series of Securities in respect of which this Prospectus is being delivered are set forth in the accompanying Prospectus Supplement ("Prospectus Supplement"). The Securities are subordinated to all Senior Indebtedness as defined in the Indenture (as hereinafter defined). There is no limitation on the amount of Senior Indebtedness which may be incurred by the Company.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Company may sell Securities through, or through underwriting syndicates managed by, Lehman Brothers Inc. alone or with one or more other underwriters. The specific managing underwriter or underwriters with respect to the offer and sale of the Securities are set forth on the cover of the Prospectus Supplement relating to such Securities and the members of the underwriting syndicate, if any, are named in such Prospectus Supplement.

January , 1994

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934 (the "Exchange Act") and in accordance therewith files reports and other information with the Securities and Exchange Commission (the "SEC"). Such reports and information may be inspected and copied at the public reference facilities maintained by the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the following Regional Offices of the SEC: New York Regional Office, 75 Park Place, New York, New York 10007; and Chicago Regional Office, Suite 1400, Northwestern Atrium Center, 500 W. Madison Street, Chicago, Illinois 60661-2511; and copies of such material can be obtained from the Public Reference Section of the SEC, Washington, D.C. 20549, at prescribed rates. In addition, reports and other information concerning the Company can be inspected at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

The Company has filed with the SEC a registration statement on Form S-3 (herein, together with all amendments and exhibits, referred to as the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"). This Prospectus does not contain all of the information set forth in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the SEC. For further information, reference is hereby made to the Registration Statement.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents previously filed by the Company with the SEC pursuant to the Exchange Act are hereby incorporated by reference in this Prospectus:

(1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1992.

(2) The Company's Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 1993, June 30, 1993 and September 30, 1993.

(3) The Company's Current Reports on Form 8-K dated February 22, 1993, May 7, 1993, June 7, 1993 and November 5, 1993.

All documents filed by the Company pursuant to Section 13(a), 13(c), 14 or

15(d) of the Exchange Act after the date of this Prospectus and prior to the termination of the offering of the Securities shall be deemed to be incorporated by reference in this Prospectus and to be a part hereof from the date of filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus and any amendment or supplement hereto to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus or any such amendment or supplement.

The Company will provide without charge to each person to whom a copy of this Prospectus has been delivered, on the written or oral request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated by reference into this Prospectus, other than exhibits to such documents unless such exhibits are specifically incorporated by reference into the documents that this Prospectus incorporates. Requests for such copies should be directed to Mary J. Capko, Controller's Office, Lehman Brothers Inc., 388 Greenwich Street, 10th Floor, New York, New York 10013 (telephone (212) 464-7622).

THE COMPANY

The Company is one of the leading global investment banks which serves institutional, corporate, government and high-net-worth individual clients in major financial centers worldwide. The Company's businesses include capital raising such as securities underwriting and direct placements; corporate finance advisory services; merchant banking; securities sales and trading; institutional asset management; research services; and the trading of foreign exchange, certain commodities, as well as derivative products. The Company acts as a market maker in all major fixed income and equity products in the United States. The Company is a member of all principal securities and commodities exchanges in the United States and the National Association of Securities Dealers, Inc. ("NASD"). The Company acts as agent on all such exchanges and in the over-the-counter markets.

The Company was incorporated in Delaware in 1965. The Company is a wholly-owned subsidiary of Lehman Brothers Holdings Inc. ("Holdings"). American Express Company owns 100 percent of Holdings' issued and outstanding common stock, which represents approximately 93 percent of Holdings' issued and outstanding voting stock. The remainder of Holdings' issued and outstanding voting stock is owned by Nippon Life Insurance Company. The Company's executive offices are located at Three World Financial Center, New York, New York 10285 (telephone (212) 298-2000). Unless the context otherwise indicates, the term "Company" as used in this Prospectus includes Lehman Brothers Inc. and its subsidiaries.

USE OF PROCEEDS

Except as may be otherwise set forth in the Prospectus Supplement accompanying this Prospectus, the Company intends to apply the net proceeds from the sale of the Securities to its general funds to be used for general corporate purposes.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth the ratio of earnings to fixed charges of the Company for each of the five years in the period ended December 31, 1992 and the nine months ended September 30, 1993:

<TABLE>
<CAPTION>

YEAR ENDED DECEMBER 31,					NINE MONTHS ENDED SEPTEMBER 30,
1988	1989	1990	1991	1992	1993
<S>	<C>	<C>	<C>	<C>	<C>
*	1.02	*	1.05	1.05	*

</TABLE>

* Earnings were inadequate to cover fixed charges and would have had to increase approximately $52 million, $569 million and $338 million in order to cover the deficiencies for the periods ending December 31, 1988, December 31, 1990 and September 30, 1993, respectively.

In computing the ratio of earnings to fixed charges, "earnings" consist of earnings from continuing operations before income taxes and fixed charges. "Fixed charges" consist principally of interest expense and one-third of office rentals and one-fifth of equipment rentals, which are deemed to be representative of the interest factor.

DESCRIPTION OF SECURITIES

The following description sets forth certain general terms and provisions of the Securities to which any Prospectus Supplement may relate. The particular terms of the Securities offered by any Prospectus Supplement and the extent, if any, to which such general provisions may or may not apply to the Securities so offered will be described in the Prospectus Supplement relating to such Securities.

Up to $825,000,000 of Securities are to be issued under an indenture, dated as of June 14, 1989 (the "Original Indenture"), as amended and supplemented (the Original Indenture, as amended and supplemented, the "Indenture") between the Company and Continental Bank, National Association, as trustee (the "Trustee"), the form of such Original Indenture is incorporated by reference as an exhibit to the Registration Statement and copies of the supplements thereto are filed as exhibits to the Registration Statement. The following summaries of certain provisions of the Indenture do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all the provisions of the Indenture, including the definitions therein of certain terms. Wherever particular provisions or defined terms of the Indenture are referred to, such provisions or defined terms are incorporated herein by reference.

General. The Indenture does not limit the aggregate principal amount of Securities which may be issued thereunder and provides that Securities may be issued thereunder from time to time in one or more series. The Securities will be unsecured obligations of the Company and will rank equally with all indebtedness of the Company designated as Senior Subordinated Indebtedness. At November 30, 1993, approximately $2 billion of Senior Subordinated Indebtedness (on an unconsolidated basis) was outstanding.

Reference is made to the Prospectus Supplement relating to the particular series of Securities offered thereby (the "Offered Debt Securities") for the following terms of the Offered Debt Securities: (1) the title of the Offered Debt Securities; (2) any limit on the aggregate principal amount of the Offered Debt Securities; (3) the date or dates on which the Offered Debt Securities will mature; (4) the rate or rates (which may be fixed or variable) per annum at which the Offered Debt Securities will bear interest, if any, and the date from which such interest will accrue; (5) the dates on which such interest will be payable and the Regular Record Dates for such Interest Payment Dates; (6) any mandatory or optional sinking fund or obligation to purchase or analogous provisions; (7) if applicable, the date after which and the price or prices at which the Offered Debt Securities may, pursuant to any optional or mandatory redemption provisions, be redeemed at the option of the Company or of the Holder thereof and the other detailed terms and provisions of such optional or mandatory redemption; (8) any additional restrictive covenants included for the benefit of the Holders of the Offered Debt Securities; (9) any additional Events of Acceleration or Events of Default provided with respect to the Offered Debt Securities; and (10) any other terms of the Offered Debt Securities. (Section 301)

The Indenture provides the Company with the ability, in addition to the ability to issue Securities with terms different from those of Securities previously issued, to "reopen" a previous issue of Securities and issue additional Securities of such series. (Section 301)

Unless otherwise indicated in the Prospectus Supplement relating thereto, principal of and premium, if any, and interest, if any, on the Offered Debt Securities will be payable, and the Offered Debt Securities will be exchangeable and transfers thereof will be registrable, at the office of the Trustee at the address designated in the Prospectus Supplement, provided that, at the option of the Company, payment of interest may be made by check mailed to the address of the Person entitled thereto as it appears in the Security Register. (Sections

305, 307 and 308)

Unless otherwise indicated in the Prospectus Supplement relating thereto, the Offered Debt Securities will be issued only in fully registered form without coupons in denominations of $1,000 or any integral multiple thereof. (Section 302) No service charge will be made for any transfer or exchange of such Offered Debt Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. (Section 305)

Securities may be issued under the Indenture as Original Issue Discount Securities to be offered and sold at a substantial discount from the principal amount thereof. "Original Issue Discount Security" means any security which provides for an amount less than the principal amount thereof to be due and payable following an Event of Acceleration or an Event of Default. (Section 101) If the Offered Debt Securities are Original Issue Discount Securities or are treated as issued with original issue discount for federal income tax purposes, special federal income tax, accounting and other considerations applicable thereto will be described in the Prospectus Supplement relating thereto.

Restrictions on Payment. The Company's obligation to pay the Offered Debt Securities at maturity shall be suspended if, after giving effect to such payment, the Company's net capital would be reduced below its Applicable Minimum Capital or its adjusted net capital. The Company's Applicable Minimum Capital and adjusted net capital are the minimum amounts of capital to be maintained by the Company as required by the rules and regulations of various domestic exchanges, boards of trade and governmental agencies to which it is subject in order to permit payment of subordinated debt capital. If such obligation is suspended for more than six months, the Company will be required to liquidate its business. If any principal payment is made on the Offered Debt Securities at a time when the Company's net capital is below its Applicable Minimum Capital, the Holders of the Offered Debt Securities are required to repay to the Company, its successors or assigns, the sum so paid; provided, however, that any suit for such recovery must be commenced within two years of the date of such payment. (Sections 702(b) and 1203)

The Company may not make any optional redemptions of the Offered Debt Securities without the consent of various domestic exchanges and boards of trade or if the Company's net capital will be reduced below certain minimum requirements. If any principal payment is made on the Offered Debt Securities notwithstanding the foregoing, the Holders of the Offered Debt Securities are required to repay to the Company, its successors or assigns, the sum so paid; provided, however, that any suit for such recovery must be commenced within two years of the date of such payment. (Section 1203)

Redemption. Unless otherwise indicated in the Prospectus Supplement relating thereto, if the Offered Debt Securities should cease to constitute "net capital" for purposes of the Net Capital Rule (as hereinafter defined), then the Company may at any time redeem such Securities in whole or in part at their principal amount (or, if the Securities of that series are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms of that series) plus accrued interest, if any. (Section 1202)

Subordination. The payment of the principal of, premium, if any, and interest, if any, on the Offered Debt Securities is expressly subordinated, to the extent and in the manner set forth in the Indenture, in right of payment to the prior payment of all Senior Indebtedness. "Senior Indebtedness" includes all Indebtedness (as defined below) of the Company, to the extent unsecured, arising out of any matter or event occurring prior to the date on which any payment on or in respect of any Offered Debt Securities matures and becomes due and payable, which has not in whole or in part been subordinated in right of payment to any other Indebtedness of the Company. "Indebtedness" means all obligations which would be treated as liabilities in accordance with generally accepted accounting principles. By reason of such subordination, upon the maturity of any Senior Indebtedness, full payment in accordance with the terms thereof must be made or provided for before any payment of principal or interest, if any, or premium, if any, is made upon the Offered Debt Securities and, in the event of bankruptcy, assignment for benefit of creditors, liquidation, reorganization or other marshalling of assets and liabilities of the Company, payment of the principal and interest, if any, and/or premium, if any, on the Offered Debt Securities will be subordinated to the prior payment in full of all Senior Indebtedness, and nothing shall be paid to the Holders of the Offered Debt Securities unless all amounts due to the holders of Senior Indebtedness have

been paid or provided for. (Sections 401 and 402)

There is no limitation in the Indenture on the amount of Senior Indebtedness or other Indebtedness that may exist. At November 30, 1993, Senior Indebtedness (on an unconsolidated basis) was approximately $15 billion and total assets of the Company (on an unconsolidated basis) were approximately $20 billion.

Junior Indebtedness. The Offered Debt Securities will be senior in right of payment to certain Indebtedness of the Company designated as subordinated debt in the respective instrument or plan document

pursuant to which such Indebtedness was issued or incurred. (Section 411 of the Indenture) At November 30, 1993, approximately $296 million of such subordinated debt (on an unconsolidated basis) was outstanding.

Financial Covenants. The Company may pay dividends on its common stock (with the exception of dividends paid in common stock) only to the extent that the aggregate of such dividends paid subsequent to June 30, 1978 does not exceed the sum of (i) $5,000,000, (ii) the aggregate Consolidated Net Income earned since that date, (iii) the net proceeds of the sale since that date of common stock of the Company and (iv) the net proceeds of indebtedness sold since that date which was thereafter converted into common stock of the Company. (Section 505)

Events of Default and Acceleration and Notice Thereof. The Holders of a majority in aggregate principal amount of the Outstanding Securities of a series will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee with respect to the Securities of such series. The Trustee or the Holders of not less than 25% in aggregate principal amount of the Outstanding Securities of a series may, if an Event of Acceleration as defined in the Indenture occurs with respect to Securities of that series, declare, by notice in writing, the principal amount (or, if the Securities of that series are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms of that series) of all Outstanding Securities of that series and the interest accrued thereon to be due and payable on the last business day of the sixth calendar month following such notice (but not earlier than the first anniversary of the date of issuance of such Securities in any event) and, if such Event of Acceleration is not cured by the Company prior to such last business day, the Outstanding Securities of that series will be due and payable on that date. In case an Event of Default with respect to Securities of any series shall occur, the principal amount (or, if the Securities of that series are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms of that series) of all Outstanding Securities of that series will become immediately due and payable. Subject to provisions requiring the exercise of the degree of care a prudent man would show in the conduct of his own affairs, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any of the Holders of Securities unless they shall have offered to the Trustee reasonable security or indemnity. Except as specifically provided in the Indenture, nothing therein relieves the Trustee from liability for its own negligent action, its own negligent failure to act or its own wilful misconduct. (Sections 702(a), 703, 714, 801 and 803(e))

The following events constitute Events of Acceleration as defined in the Indenture with respect to any series of Securities: failure for 30 days to pay interest upon any Security of that series when due; failure to pay principal or premium, if any, on any Security of that series when due; failure for 60 days after notice to perform a certain covenant in the Indenture; and, subject to certain conditions, acceleration of the maturity of Indebtedness of the Company constituting net capital aggregating more than $10,000,000 upon default thereon. Events of Default include: bankruptcy, liquidation and similar proceedings and the failure for 15 consecutive days to maintain the minimum amount of net capital under the Net Capital Rule necessary to permit the Company to carry on its business as a broker-dealer. (Section 701)

The Indenture provides that the Trustee shall, within 90 days after the occurrence of an event described in the preceding paragraph (without regard to any period of grace as therein specified or any requirement for the giving of notice) or the failure of the Company to duly observe or perform any provision of the Indenture with respect to Securities of any series, give to the Holders of the Outstanding Securities of that series notice of all uncured defaults known to it with respect to Securities of that series (including both Events of

Default and Events of Acceleration); provided that, except in the case of default in the payment of principal or interest, if any, on any of the Securities of that series or the payment of any sinking fund installment, the Trustee shall be protected in withholding such notice if it in good faith determines that the withholding of such notice is in the interests of the Holders of the Outstanding Securities of that series. (Section 802)

The Company must deliver to the Trustee annually an officers' certificate stating whether or not the signers thereof have obtained knowledge of any existing default by the Company in the performance or fulfillment of the covenants, agreements and obligations contained in the Indenture with respect to any series of Securities and, if so, specifying each such default and the nature thereof. (Section 506)

Modification of the Indenture. Modifications and amendments of the Indenture may be made by the Company and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the Outstanding Securities of each series affected thereby; provided, however, that no such modification or amendment may, without the consent of the Holder of each Outstanding Security affected thereby: (a) change the stated maturity date of the principal of, or any installment of principal of or interest, if any, on, any Security; (b) reduce the principal amount of, or the premium (if any) or interest, if any, on, any Security; (c) adversely affect any right of repayment at the option of the Holder of any Security, or reduce the amount of, or postpone the date fixed for, the payment of any sinking fund or analogous obligation; (d) reduce the amount of principal of an Original Issue Discount Security payable upon acceleration of the Maturity thereof; (e) change the place or currency of payment of principal of, or premium (if any) or interest, if any, on, any Security; (f) impair the right to institute suit for the enforcement of any payment on or with respect to any Security; or (g) reduce the percentage in principal amount of Outstanding Securities of any series, the consent of the Holders of which is required for modification or amendment of the Indenture or for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults. (Section 1102)

The Holders of not less than a majority in aggregate principal amount of the Outstanding Securities of any series may on behalf of the Holders of all Securities of that series waive, insofar as that series is concerned, compliance by the Company with certain restrictive covenants of the Indenture. (Section 507) The Holders of a majority in aggregate principal amount of the Outstanding Securities of any series may on behalf of the Holders of all Securities of that series waive any past default under the Indenture with respect to that series, except a default in the payment of the principal of, or the premium (if any) or interest, if any, on, any Security of that series or in respect of a provision which under the Indenture cannot be modified or amended without the consent of the Holder of each Outstanding Security of that series affected. (Section 715)

Satisfaction and Discharge. The Indenture may be fully satisfied and discharged not earlier than two years after payment of all Outstanding Securities shall have been made or duly provided for. (Section 601)

Certain Information Relating to the Trustee. The Company and its affiliates maintain bank accounts, borrow money and have other customary banking relationships with the Trustee.

UNITED STATES TAXATION

Certain Tax Consequences for United States Holders. The following summary describes certain United States federal income tax consequences of the ownership of Securities as of the date hereof. Except where noted, it deals only with Securities held as capital assets by United States Holders and does not deal with special situations, such as those of dealers in securities, financial institutions, life insurance companies or United States Holders whose "functional currency" is not the U.S. dollar. Furthermore, the discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "Code") and regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be repealed, revoked or modified so as to result in federal income tax consequences different from those discussed below. For a discussion of certain United States federal income tax consequences of the ownership of Securities to Non-United States Holders see "Certain Tax Consequences for Non-United States Holders" below. PERSONS CONSIDERING THE PURCHASE, OWNERSHIP OR DISPOSITION OF SECURITIES SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE FEDERAL INCOME TAX CONSEQUENCES IN LIGHT OF THEIR

PARTICULAR SITUATIONS AS WELL AS ANY CONSEQUENCES ARISING UNDER THE LAWS OF ANY OTHER TAXING JURISDICTION.

UNITED STATES HOLDERS. As used herein, a "United States Holder" of a Security means a holder that is a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, or an estate or trust the income of which is subject to United States federal income taxation regardless of its source.

PAYMENTS OF INTEREST. Except as set forth below, interest on a Security will generally be taxable to a United States Holder as ordinary income from domestic sources at the time it is paid or accrued in accordance with the United States Holder's method of accounting for tax purposes.

ORIGINAL ISSUE DISCOUNT. The following is a summary of the principal United States federal income tax consequences of the ownership of Securities issued with original issue discount ("Original Issue Discount Notes") by United States Holders. This summary is based upon the Code and upon proposed regulations issued by the Treasury Department on December 21, 1992 (the "Proposed Regulations"). There can be no assurance that the final Treasury Regulations will not differ materially from the Proposed Regulations. Accordingly, the ultimate federal income tax treatment of the Securities may differ substantially from that described below.

A Security may be issued for an amount that is less than its stated redemption price at maturity (the sum of all payments to be made on the Security other than "qualified stated interest"). The difference between the stated redemption price at maturity of the Security and its "issue price," if such difference is at least 0.25% of the stated redemption price at maturity multiplied by the number of complete years to Maturity, will be "original issue discount" ("OID"). The "issue price" of each Security will be the initial offering price to the public at which a substantial amount of the particular offering is sold. "Qualified stated interest" is stated interest that is unconditionally payable in cash or in property (other than debt instruments of the issuer) at least annually and, with respect to a Security paying a fixed rate of interest, at a single fixed rate. Interest is payable at a single fixed rate only if the rate appropriately takes into account the length of the interval between payments.

The Proposed Regulations provide that Securities that may be redeemed prior to their Stated Maturity shall be treated from the time of issuance as having a maturity date for federal income tax purposes on such redemption date if such redemption would result in a lower yield to maturity in the case of a redemption at the issuer's option or a higher yield to maturity in the case of a redemption at the holder's option. Notice will be given in the applicable Prospectus Supplement when the Company determines that a particular Security will be deemed to have a maturity date for federal income tax purposes prior to its Stated Maturity.

In certain cases, Securities that bear stated interest and are issued at par may be deemed to bear OID for federal income tax purposes, with the result that the inclusion of interest into income for federal income tax purposes may vary from the actual cash payments of interest made on such Securities, generally accelerating income for cash method taxpayers. Under the Proposed Regulations, a Security may be an Original Issue Discount Note where (a) a Security providing for a variable rate of interest provides for a maximum interest rate or a minimum interest rate that is very likely to cause the interest rate in one or more accrual periods, known as of the issue date, to be significantly less or significantly more, as the case may be, than the overall expected return on the Security; (b) a Security bears interest initially at a fixed rate followed by a qualified floating rate or a Security provides for one qualified floating rate followed by a second qualified floating rate and the later interest rate is not a reasonable substitute for the initial interest rate during the period the initial interest rate is in effect; (c) due to an interest holiday, teaser rate or other interest shortfall, the amount of OID is more than de minimis; (d) interest is payable at a single fixed rate but the rate does not appropriately take into account the length of the interval between payments; or (e) a Security has daily or weekly interest reset dates that would cause a delay in the payment of interest. Notice will be given in the applicable Prospectus Supplement when the Company determines that a particular Security will be an Original Issue Discount Note.

United States Holders of Original Issue Discount Notes with a maturity upon issuance of more than one year must, in general, include OID in income in advance of the receipt of some or all of the related cash payments. The amount of OID includible in income by the initial United States Holder of an Original Issue Discount Note is the sum of the "daily portions" of OID with respect to the Security for each day during the taxable year or portion of the taxable year in which such United States Holder held such Security ("accrued OID"). The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. The "accrual period" for an Original Issue Discount Note may be of any length and may vary in length over the term of the Security, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs at the end of an accrual period. In general, the computation of OID is simplest if accrual periods correspond to the intervals between payment dates provided by the terms of the Security. The amount of OID allocable to any accrual period is an amount equal to the excess, if any, of (a) the product of the Security's adjusted issue price at the beginning of such

accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the qualified stated interest allocable to the accrual period. In determining OID allocable to an accrual period, if an interval between payments of qualified stated interest contains more than one accrual period, the amount of qualified stated interest payable at the end of the interval is allocated on a pro rata basis to each accrual period in the interval and the adjusted issue price must be increased by the amount of any qualified stated interest that has accrued prior to the beginning of the accrual period but is not payable until a later date. OID allocable to a final accrual period is the difference between the amount payable at maturity (other than a payment of qualified stated interest) and the adjusted issue price at the beginning of the final accrual period. If all accrual periods are of equal length, except for an initial short accrual period, the amount of OID allocable to the initial short accrual period may be computed under any reasonable method. The "adjusted issue price" of the Security at the beginning of any accrual period is equal to its issue price increased by the accrued OID for each prior accrual period and reduced by any prior payments with respect to such Security that were not qualified stated interest. Under these rules, a United States Holder will have to include in income increasingly greater amounts of OID in successive accrual periods. The Company is required to provide information returns stating the amount of OID accrued on Securities held of record by persons other than corporations and other exempt holders.

United States Holders that use the accrual method of accounting may elect to treat all interest on any Security as OID and calculate the amount includible in gross income under the constant yield method described above. For the purposes of this election, interest includes stated interest, acquisition discount, OID, de minimis OID, market discount, de minimis market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium. If a United States Holder makes this election for a Security with market discount or amortizable bond premium, the election is treated as an election under the market discount or amortizable bond premium provisions, described below, and the electing United States Holder will be required to amortize bond premium or include market discount in income currently for all of the holder's other debt instruments with market discount or amortizable bond premium. The election is to be made for the taxable year in which the United States Holder acquired the Security, and may not be revoked without the consent of the Internal Revenue Services ("IRS"). UNITED STATES HOLDERS SHOULD CONSULT WITH THEIR OWN TAX ADVISERS ABOUT THIS ELECTION.

In the case of Original Issue Discount Notes having a term of one year or less ("Short-Term Original Issue Discount Notes"), all payments (including all stated interest) will be included in the stated redemption price at maturity and, thus, United States Holders will generally be taxable on the discount in lieu of stated interest. The discount will be equal to the excess of the stated redemption price at maturity over the issue price of a Short-Term Original Issue Discount Note, unless the United States Holder elects to compute this discount using tax basis instead of issue price. In general, an individual and certain other cash method United States Holders of a Short-Term Original Issue Discount Note are not required to include accrued discount in their income currently unless they elect to do so. United States Holders who report income for federal income tax purposes on the accrual method and certain other United States Holders are required to accrue discount on such Short-Term Original Issue Discount Notes (as ordinary income) on a straight-line basis, unless an election

is made to accrue the discount according to a constant yield method based on daily compounding. In the case of a United States Holder who is not required, and does not elect, to include discount in income currently, any gain realized on the sale, exchange or retirement of the Short-Term Original Issue Discount Note will be ordinary income to the extent of the discount accrued through the date of sale, exchange or retirement. In addition, such non-electing United States Holder not subject to the current inclusion requirement described in this paragraph may be required to defer deductions for a portion of the United States Holder's interest expense with respect to any indebtedness incurred or continued to purchase or carry such Securities.

MARKET DISCOUNT AND PREMIUM. If a United States Holder purchases a Security for an amount that is less than its "revised issue price" (defined as the sum of the issue price of the Security (as defined above) and the aggregate amount of the OID includible, if any, without regard to the rules for acquisition premium discussed below, in the gross income of all previous holders of the Security), the amount of the difference will

be treated as "market discount" for federal income tax purposes, unless such difference is less than a specified de minimis amount. Under the market discount rules, a United States Holder will be required to treat any principal payment on, or any gain on the sale, exchange, retirement or other disposition of, a Security as ordinary income to the extent of the market discount which has not previously been included in income and is treated as having accrued on such Security at the time of such payment or disposition. In addition, a United States Holder may be required to defer, until the maturity of the Security or its earlier disposition in a taxable transaction, the deduction of all or a portion of the interest expense on any indebtedness incurred or continued to purchase or carry such Security.

Any market discount will be considered to accrue ratably during the period of acquisition to the maturity date of the Security, unless the United States Holder elects to accrue on a constant interest method. A United States Holder of a Security may elect to include market discount in income currently as it accrues (on either a ratable or constant interest method), in which case the rule described above regarding deferral of interest deductions will not apply. This election to include market discount in income currently, once made, applies to all market discount obligations acquired on or after the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

A United States Holder who purchases a Security for an amount that is greater than its adjusted issue price but equal to or less than the sum of all amounts payable on the Security after the purchase date other than payments of qualified stated interest will be considered to have purchased such Security at an "acquisition premium". Under the acquisition premium rules, the amount of OID which such holder must include in its gross income with respect to such Security for any taxable year will be reduced by the portion of such acquisition premium properly allocable to such year.

A United States Holder who purchases a Security for an amount in excess of the sum of all amounts payable on the Security after the purchase date other than qualified stated interest will be considered to have purchased the Security at a "premium" and will not be required to include any OID in income. A United States Holder generally may elect to amortize the premium over the remaining term of the Security on a constant yield method. The amount amortized in any year will be treated as a reduction of the United States Holder's interest income from the Security. Bond premium on a Security held by a United States Holder that does not make such an election will decrease the gain or increase the loss otherwise recognized on disposition of the Security. The election to amortize premium on a constant yield method once made applies to all debt obligations held or subsequently acquired by the electing United States Holder on or after the first day of the first taxable year to which the election applies and may not be revoked without the consent of the IRS.

SALE, EXCHANGE AND RETIREMENT OF SECURITIES. A United States Holder's tax basis in a Security will, in general, be the United States Holder's cost therefor, increased by OID or market discount, or any discount with respect to a Short-Term Original Issue Discount Note, included in income by the United States Holder and reduced by an amortized acquisition premium in the case of Original Issue Discount Notes, any amortized bond premium and any cash payments on the Security other than qualified stated interest. Upon the sale, exchange or retirement of a Security (which might arise in the event of a satisfaction and

discharge), a United States Holder will recognize gain or loss equal to the difference between the amount realized upon the sale, exchange or retirement and the adjusted tax basis of the Security. Except as described above with respect to certain Short-Term Original Issue Discount Notes, and except to the extent of any accrued market discount, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange or retirement the Security has been held for more than one year. Under current law, net capital gains of individuals are, under certain circumstances, taxed at lower rates than items of ordinary income. The deductibility of capital losses is subject to limitations.

BACKUP WITHHOLDING AND INFORMATION REPORTING. In general, information reporting requirements will apply to certain payments of principal, interest, OID and premium paid on Securities and to proceeds of sale of a Security made to United States Holders other than certain exempt recipients (such as corporations). A 31% backup withholding tax will apply to such payments if the United States Holder fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income.

Certain Tax Consequences for Non-United States Holders. Under present United States federal income and estate tax law, and subject to the discussion below concerning backup withholding:

(a) no withholding of United States federal income tax will be required with respect to the payment by the Company or any Paying Agent of principal or interest (which for purposes of this discussion includes OID) on a Security owned by a Non-United States Holder, provided, in the case of interest, (i) that the beneficial owner does not actually or constructively own 10% or more of the total combined voting power of all classes of stock of the Company entitled to vote within the meaning of Section 871(h)(3) of the Code and the regulations thereunder, (ii) the beneficial owner is not a controlled foreign corporation that is related to the Company through stock ownership and (iii) the beneficial owner satisfies the statement requirement (described generally below) set forth in Section 871(h) and Section 881(c) of the Code and the regulations thereunder;

(b) no withholding of United States federal income tax will be required with respect to any gain or income realized by a Non-United States Holder upon the sale, exchange or retirement of a Security; and

(c) a Security beneficially owned by an individual who at the time of death is a Non-United States Holder will not be subject to United States federal income tax as a result of such individual's death, provided that such individual does not actually or constructively own 10% or more of the total combined voting power of all classes of stock of the Company entitled to vote within the meaning of Section 871(h)(3) of the Code and provided that the interest payments with respect to such Security would not have been, if received at the time of such individual's death, effectively connected with the conduct of a United States trade or business by such individual.

To qualify for the exemption from withholding tax in (a)(iii) above, the beneficial owner of a Security, or a financial institution holding the Security on behalf of such owner, must provide, in accordance with specified procedures, a Paying Agent of the Company with a statement to the effect that the beneficial owner is not a United States person. Pursuant to current temporary Treasury Regulations, these requirements will be met if (1) the beneficial owner provided his name and address, and certifies, under penalties of perjury, that he is not a United States person (which certification may be made on an IRS Form W-8, or any successor form) or (2) a financial institution holding the Security on behalf of the beneficial owner certifies, under penalties of perjury, that such statement has been received by it and furnishes a Paying Agent with a copy thereof.

Payments to Non-United States Holders not meeting the requirements of paragraph (a) above and thus subject to withholding of United States federal income tax may nevertheless be exempt from such withholding if the beneficial owner of the Security provides a Paying Agent of the Company with a properly executed (1) IRS Form 1001 (or any successor form) claiming an exemption from withholding under the benefit of a tax treaty or (2) IRS Form 4224 (or any successor form) stating that interest paid on the Security is not subject to withholding tax because it is effectively connected with the owner's conduct of

a trade or business in the United States.

As used herein, "United States person" means a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States and an estate or trust the income of which is subject to United States federal income taxation regardless of its source. The term "Non-United States Holder" means any Holder which is not a United States person.

No information reporting or backup withholding will be required with respect to payments made by the Company or any Paying Agent to Non-United States Holders if a statement described in (a)(iii) above has been received and the payor does not have actual knowledge that the beneficial owner is a United States person.

In addition, backup withholding and information reporting will not apply if payments of principal, interest, original issue discount or premium on a Security are paid or collected by a foreign office of a custodian, nominee or other foreign agent on behalf of the beneficial owner of such Security, or if a foreign office of a broker (as defined in applicable Treasury Regulations) pays the proceeds of the sale of a Security to the owner thereof. If, however, such nominee, custodian, agent or broker is, for United States federal income tax purposes, a United States person, a controlled foreign corporation or a foreign person that derives 50% or

more of its gross income for certain periods from the conduct of a trade or business in the United States, such payments will not be subject to backup withholding but will be subject to information reporting, unless (1) such custodian, nominee, agent or broker has documentary evidence in its records that the beneficial owner is not a United States person and certain other conditions are met or (2) the beneficial owner otherwise establishes an exemption. Temporary Treasury Regulations provide that the Treasury is considering whether backup withholding will apply with respect to such payments of principal, interest or the proceeds of a sale that are not subject to backup withholding under the current regulations. Under proposed Treasury Regulations not currently in effect, backup withholding will not apply to such payments absent actual knowledge that the payee is a United States person.

Payments of principal, interest, original issue discount or premium on a Security paid to the beneficial owner of a Security by a United States office of a custodian, nominee or agent, or the payment by the United States office of a broker of the proceeds of sale of a Security, will be subject to both backup withholding and information reporting unless the beneficial owner provides a statement described in (a)(iii) above and the payor does not have actual knowledge that the beneficial owner is a United States person or otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against such holder's United States federal income tax liability provided the required information is furnished to the IRS.

CAPITAL REQUIREMENTS

As registered broker-dealers, the Company and certain of its subsidiaries (the "Regulated Subsidiaries"), are subject to the SEC's net capital rule (Rule 15c3-1, the "Net Capital Rule"), promulgated under the Exchange Act. The NYSE monitors the application of the Net Capital Rule by the Company. The NYSE and the NASD, as the case may be, monitor the application of the Net Capital Rule by the Regulated Subsidiaries. The Company and the Regulated Subsidiaries compute net capital under the alternative method of the Net Capital Rule which requires the maintenance of minimum net capital, as defined. A broker-dealer may be required to reduce its business if its net capital is less than 4% of aggregate debit balances and may also be prohibited from expanding its business or paying cash dividends, if resulting net capital would be less than 5% of aggregate debit balances. In addition, the Net Capital Rule does not allow withdrawal of subordinated capital if net capital would be less than 5% of such debit balances.

The Net Capital Rule also limits the ability of broker-dealers to transfer large amounts of capital to parent companies and other affiliates. Under the Net Capital Rule equity capital can not be withdrawn from a broker-dealer without the prior approval of the SEC when net capital after the withdrawal would be less than 25% of its securities positions haircuts (which are deductions from

capital of certain specified percentages of the market value of securities to reflect the possibility of a market decline prior to disposition). In addition, the Net Capital Rule requires broker-dealers to notify the SEC and the appropriate self-regulatory organization two business days before a withdrawal of excess net capital if the withdrawal would exceed the greater of $500,000 or 30% of the broker-dealer's excess net capital, and two business days after a withdrawal that exceeds the greater of $500,000 or 20% of excess net capital. Finally, the Net Capital Rule authorizes the SEC to order a freeze on the transfer of capital if a broker-dealer plans a withdrawal of more than 30% of its excess net capital and the SEC believes that such a withdrawal would be detrimental to the financial integrity of the firm or would jeopardize the broker-dealer's ability to pay its customers.

Compliance with the Net Capital Rule could limit those operations of the Company and its Regulated Subsidiaries that require the intensive use of capital, such as underwriting and trading activities and the financing of customer account balances.

The Company is subject to other domestic and international regulatory requirements with which it is required to comply.

OUTSTANDING SUBORDINATED DEBT INSTRUMENTS

The Company has issued various subordinated debt instruments in a form, and to persons, approved by the NYSE in accordance with the provisions of NYSE Rule 325. When issued, the Securities shall constitute such subordinated debt. The Company is permitted to treat such subordinated debt as capital for the purposes of the Net Capital Rule and NYSE Rule 325. The instruments evidencing such subordinated debt provide that they shall be subordinated and junior in right of payment to the prior payment in full, or provision for such payment, of all obligations to all other present and future creditors of the Company (except for other subordinated debt similarly subordinated).

PLAN OF DISTRIBUTION

The Company may sell the Securities through, or through underwriting syndicates managed by, Lehman Brothers Inc. ("Lehman Brothers") alone or with one or more other underwriters. The specific managing underwriter or underwriters with respect to the offer and sale of Securities are set forth on the cover of the Prospectus Supplement relating to such Securities and the members of the underwriting syndicate, if any, are named in such Prospectus Supplement. Only the underwriters so named in the Prospectus Supplement are underwriters in connection with the Securities offered thereby. The Prospectus Supplement also describes the discounts and commissions to be allowed or paid to the underwriters, all other items constituting underwriting compensation, the discounts and commissions to be allowed or paid to dealers, if any, and the exchanges, if any, on which the Securities will be listed.

The Securities will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The obligations of the underwriters to purchase such Securities will be subject to certain conditions precedent, and the underwriters will be obligated to purchase all the Securities of the series offered by the Prospectus Supplement if any of such Securities are purchased. Any initial public offering price and any discounts or concessions allowed or reallowed or paid to dealers may be changed from time to time. To the extent, if any, that Securities to be purchased by Lehman Brothers, as underwriter, are not sold by it at the public offering price set forth in the Prospectus Supplement, the Company, as issuer of such Securities, will not receive the full amount of net proceeds of such Securities set forth on the cover of the Prospectus Supplement.

If so indicated in the Prospectus Supplement, the Company will authorize the underwriters to solicit offers by certain institutional investors to purchase Securities providing for payment and delivery on a future date specified in the Prospectus Supplement. There may be limitations on the minimum amount which may be purchased by any such institutional investor or on the portion of the aggregate principal amount of the particular Securities which may be sold pursuant to such arrangements. Institutional investors to which such offers may be made, when authorized, include commercial and savings banks, insurance companies, pension funds, educational and charitable institutions and such other institutions as may be approved by the Company. The obligations of

any such purchasers pursuant to such delayed delivery and payment arrangements will not be subject to any conditions except (i) the purchase by an institution of the particular Securities shall not at the time of delivery be prohibited under the laws of any jurisdiction in the United States to which such institution is subject, and (ii) the Company shall have sold to such underwriters the total principal amount of such Securities less the principal amount thereof covered by such arrangements. Underwriters will not have any responsibility in respect of the validity of such arrangements or the performance of the Company or such institutional investors thereunder.

The underwriters may be entitled under agreements entered into with the Company to indemnification by the Company against certain civil liabilities, including liabilities under the Securities Act, or to contribution with respect to payments which the underwriters may be required to make in respect thereof. The underwriters may engage in transactions with, or perform services for, the Company in the ordinary course of business.

The underwriting arrangements for this offering will comply with the requirements of Schedule E of the By-laws of the NASD regarding an NASD member firm underwriting its own securities. Pursuant to Section 5 of Schedule E to the By-Laws of the NASD, the net proceeds to be received by the Company from the sale of the Securities shall be placed in a duly established escrow account and shall not be released therefrom or used by the Company in any manner until the Company has filed with the NASD a computation of net capital in the manner required by and meeting the requirements of Section 5 of Schedule E.

ERISA MATTERS

The Company may be considered a "party in interest" within the meaning of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and a "disqualified person" under corresponding provisions of the Internal Revenue Code of 1986, as amended (the "Code"), with respect to certain employee benefit plans. Certain transactions between an employee benefit plan and a party in interest or disqualified person may result in "prohibited transactions" within the meaning of ERISA and the Code. ANY EMPLOYEE BENEFIT PLAN PROPOSING TO INVEST IN THE SECURITIES SHOULD CONSULT WITH ITS LEGAL COUNSEL.

LEGAL OPINIONS

Unless otherwise indicated in an applicable Prospectus Supplement relating to Offered Debt Securities, the validity of the Securities offered hereby will be passed upon for the Company by David Marcus, General Counsel of the Company, and for any underwriter by Simpson Thacher & Bartlett (a partnership which includes professional corporations), 425 Lexington Avenue, New York, New York 10017. Simpson Thacher & Bartlett acts as counsel in various matters for Holdings, the Company and certain of their subsidiaries.

INDEPENDENT ACCOUNTANTS

The consolidated financial statements and schedules of the Company for the years ended December 31, 1992, December 31, 1991 and December 31, 1990, appearing in the Company's Annual Report on Form 10-K for the year ended December 31, 1992, have been audited by Ernst & Young, independent auditors, as set forth in their report thereon included therein and incorporated herein by reference. Such consolidated financial statements and schedules are, and audited financial statements included in subsequently filed documents will be, incorporated herein by reference in reliance upon the reports of Ernst & Young pertaining to such financial statements (to the extent covered by consents filed with the Securities and Exchange Commission) given upon the authority of such firm as experts in accounting and auditing.

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No dealer, salesman or other person has been authorized to give any information or to make any representation not contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorized by the Company or any agent or underwriter. This Prospectus does not constitute an offer to sell or a solicitation of an offer to

buy any of the securities offered hereby in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof.

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INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION, DATED JANUARY 7, 1994

LEHMAN BROTHERS INC.

SENIOR SUBORDINATED DEBT SECURITIES

Lehman Brothers Inc. (the "Company") has issued its senior subordinated debt securities (the "Senior Subordinated Securities") pursuant to an indenture dated as of October 1, 1984, between the Company and Marine Midland Bank, N.A. The following Senior Subordinated Securities have been issued by the Company:

$150,000,000 aggregate principal amount of 12 1/2% Senior Subordinated Notes Due 1994;

$100,000,000 aggregate principal amount of 11 5/8% Senior Subordinated Debentures Due 2005;

$ 96,232,500 aggregate principal amount of 10 3/4% Senior Subordinated Notes Due 1996;

$200,000,000 aggregate principal amount of 9 7/8% Senior Subordinated Notes Due 2000; and

$200,000,000 aggregate principal amount of 10% Senior Subordinated Notes Due 1999.

The Company has also issued its senior subordinated debt securities (the "Debt Securities") pursuant to an indenture dated as of June 14, 1989, as amended and supplemented through December 23, 1993, (the "Continental Indenture"), between the Company and Continental Bank, National Association (the "Continental Trustee"). The following Debt Securities have been issued by the Company:

$200,000,000 aggregate principal amount of 9 1/2% Senior Subordinated Notes Due 1997;

$ 75,000,000 aggregate principal amount of 6% Senior Subordinated Notes Due 1994;

$ 50,000,000 aggregate principal amount of Floating Rate Senior Subordinated Notes Due 1994;

$150,000,000 aggregate principal amount of Floating Rate Senior Subordinated Notes Due 1996;

$200,000,000 aggregate principal amount of 5 3/4% Senior Subordinated Notes Due 1998; and

$200,000,000 aggregate principal amount of Step-Up Senior Subordinated Notes Due 2003.

The Company from time to time may issue, in one or more series, up to an additional $825,000,000 aggregate principal amount of its senior subordinated debt securities (the "New Debt Securities," and collectively with the Senior Subordinated Securities and the Debt Securities, the "Securities") pursuant to the Continental Indenture, as amended and supplemented by the Ninth Supplemental Indenture, dated as of January , 1994, between the Company and the Continental Trustee and any subsequent supplemental indentures, (the Continental Indenture, as amended and supplemented by the Ninth Supplemental Indenture and any subsequent supplemental indentures, the "Amended Continental Indenture").

The Securities are or will be subordinated to all Senior Indebtedness (as defined in the applicable indenture) of the Company. There is no limitation on the amount of Senior Indebtedness which may be incurred by the Company.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This Prospectus has been prepared in connection with the Securities and is to be used by Lehman Special Securities Inc. and Lehman Brothers International (Europe), affiliates of the Company, in connection with offers and sales related to market-making transactions in the Securities at negotiated prices related to prevailing market prices at the time of sale. Lehman Special Securities Inc. and Lehman Brothers International (Europe) may act as principal or agent in such transactions.

January , 1994

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934 (the "Exchange Act") and in accordance therewith files reports and other information with the Securities and Exchange Commission (the "SEC"). Such reports and information may be inspected and copied at the public reference facilities maintained by the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the following Regional Offices of the SEC: New York Regional Office, 7 World Trade Center, New York, New York 10048; and Chicago Regional Office, Suite 1400, Northwestern Atrium Center, 500 W. Madison Street, Chicago, Illinois 60661-2511; and copies of such material can be obtained from the Public Reference Section of the SEC, Washington, D.C. 20549, at prescribed rates. In addition, reports and other information concerning the Company can be inspected at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

The Company has filed with the SEC a registration statement on Form S-3 (herein, together with all amendments and exhibits, referred to as the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"). This Prospectus does not contain all of the information set forth in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the SEC. For further information, reference is hereby made to the Registration Statement.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents previously filed by the Company with the SEC pursuant to the Exchange Act are hereby incorporated by reference in this Prospectus:

(1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1992.

(2) The Company's Quarterly Report on Form 10-Q for the fiscal quarters ended March 31, 1993, June 30, 1993 and September 30, 1993.

(3) The Company's Current Reports on Form 8-K dated February 22, 1993, May 7, 1993, June 7, 1993 and November 5, 1993.

All documents filed by the Company pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this Prospectus and prior to the termination of the offering of the Securities shall be deemed to be incorporated by reference in this Prospectus and to be a part hereof from the date of filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus and any amendment or supplement hereto to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus or any such amendment or supplement.

The Company will provide without charge to each person to whom a copy of this Prospectus has been delivered, on the written or oral request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated by reference into this Prospectus, other than exhibits to such documents unless such exhibits are specifically incorporated by reference into the documents that this Prospectus incorporates. Requests for such copies

should be directed to Mary J. Capko, Controller's Office, Lehman Brothers Inc., 388 Greenwich Street, 10th floor, New York, New York 10013 (telephone (212) 464-7622).

THE COMPANY

The Company is one of the leading global investment banks which serves institutional, corporate, government and high-net-worth individual clients in major financial centers worldwide. The Company's businesses include capital raising such as securities underwriting and direct placements; corporate finance advisory services; merchant banking; securities sales and trading; institutional asset management; research services; and the trading of foreign exchange, certain commodities, as well as derivative products. The Company acts as market maker in all major fixed income and equity products in the United States. The Company is a member of all principal securities and commodities exchanges in the United States and the National Association of Securities Dealers, Inc. ("NASD"). The Company acts as agent on all such exchanges and in the over-the-counter markets.

The Company was incorporated in Delaware in 1965. The Company is a wholly-owned subsidiary of Lehman Brothers Holdings Inc. ("Holdings"). American Express Company owns 100 percent of Holdings' issued and outstanding common stock, which represents approximately 93 percent of Holdings' issued and outstanding voting stock. The remainder of Holdings' issued and outstanding voting stock is owned by Nippon Life Insurance Company. The Company's executive offices are located at Three World Financial Center, New York, New York 10285 (telephone (212) 298-2000). Unless the context otherwise indicates, the term "Company" as used in this Prospectus includes Lehman Brothers Inc. and its subsidiaries.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth the ratio of earnings to fixed charges of the Company for each of the five years in the period ended December 31, 1992 and the nine months ended September 30, 1993:

<TABLE>
<CAPTION>

YEAR ENDED DECEMBER 31,					NINE MONTHS ENDED SEPTEMBER 30,
1988	1989	1990	1991	1992	1993
<S>	<C>	<C>	<C>	<C>	<C>
*	1.02	*	1.05	1.05	*

</TABLE>

* Earnings were inadequate to cover fixed charges and would have had to increase approximately $52 million, $569 million and $338 million in order to cover the deficiencies for the periods ended December 31, 1988, December 31, 1990 and September 30, 1993, respectively.

In computing the ratio of earnings to fixed charges, "earnings" consist of earnings from continuing operations before income taxes and fixed charges. "Fixed charges" consist principally of interest expense and one-third of office rentals and one-fifth of equipment rentals, which are deemed to be representative of the interest factor.

DESCRIPTION OF THE SECURITIES

The Debt Securities have been issued under the Continental Indenture, the Senior Subordinated Securities have been issued under an indenture (the "Marine Indenture"), dated as of October 1, 1984, as amended and supplemented, between the Company and Marine Midland Bank, N.A., as trustee (the "Marine Trustee") and the New Debt Securities will be issued under the Amended Continental Indenture. References to the "Indenture" in the following summaries shall be deemed to refer to the Continental Indenture, the Marine Indenture and the Amended Continental Indenture and references to the "Trustee" shall be deemed to refer to the Marine Trustee and the Continental Trustee, as applicable. The Continental Indenture, the Marine Indenture and the Amended Continental Indenture, which are on file with the SEC and the trustee thereof, are substantially identical (except that the Amended Continental Indenture increases the $5,000,000 referred to in Section 701 to $10,000,000 with respect to the New

Debt Securities) and are collectively referred to herein as the "Indentures". The following summaries of certain provisions of the Indentures do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all the provisions of the Indentures, including the definitions therein of certain terms. Wherever particular provisions or defined terms of the Indentures are referred to, such provisions or defined terms are incorporated herein by reference.

General. The Indenture does not limit the aggregate principal amount of Securities which may be issued thereunder and provides that Securities may be issued thereunder from time to time in one or more

series. The Securities are and will be unsecured obligations of the Company and rank equally with all indebtedness of the Company designated as Senior Subordinated Indebtedness. At November 30, 1993, approximately $2 billion of Senior Subordinated Indebtedness (on an unconsolidated basis) was outstanding.

The Indenture provides the Company with the ability, in addition to the ability to issue Securities with terms different from those of Securities previously issued, to "reopen" a previous issue of Securities and issue additional Securities of such series. (Section 301 of the Indentures)

Unless otherwise indicated in the terms and provisions of an issue of the outstanding Securities described below, the principal of and premium, if any, and interest, if any, on the Securities will be payable, and the Securities are exchangeable and transfers thereof are registrable, at the office of the Trustee at the address set forth in the Indenture, provided that, at the option of the Company, payment of interest may be made by check mailed to the address of the person entitled thereto as it appears in the Security Register. (Sections 305, 307 and 308 of the Indentures)

Unless otherwise indicated in the terms and provisions of the outstanding Securities described below, the Securities are issuable only in fully registered form without coupons in denominations of $1,000 and integral multiples thereof. (Section 302 of the Indentures) No service charge will be made for any transfer or exchange of such Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. (Section 305 of the Indentures)

Restrictions on Payment. The Company's obligation to pay the Securities at maturity shall be suspended if, after giving effect to such payment, the Company's net capital would be reduced below its Applicable Minimum Capital or its adjusted net capital. The Company's Applicable Minimum Capital and adjusted net capital are the minimum amounts of capital to be maintained by the Company as required by the rules and regulations of various domestic exchanges, boards of trade and governmental agencies to which it is subject in order to permit payment of subordinated debt capital. If such obligation is suspended for more than six months, the Company will be required to liquidate its business. If any principal payment is made on the Securities at a time when the Company's net capital is below its Applicable Minimum Capital, the holders of the Securities are required to repay to the Company, its successors or assigns, the sum so paid; provided, however, that any suit for such recovery must be commenced within two years of the date of such payment. (Sections 702(b) and 1203 of the Indentures)

The Company may not make any optional redemptions of the Securities without the consent of various domestic exchanges and boards of trade or if the Company's net capital will be reduced below certain minimum requirements. If any principal payment is made on the Securities notwithstanding the foregoing, the holders of the Securities are required to repay to the Company, its successors or assigns, the sum so paid; provided, however, that any suit for such recovery must be commenced within two years of the date of such payment. (Section 1203 of the Indentures)

Redemption. Unless otherwise indicated in the terms and provisions of the outstanding Securities described below, if the Securities of any series should cease to constitute "net capital" for purposes of the Net Capital Rule, then the Company may at any time redeem such Securities in whole or in part at their principal amount (or, if the Securities of that series are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms of that series) plus accrued interest, if any. (Section 1202 of the Indentures)

Subordination. The payment of the principal of, premium, if any, and interest, if any, on the Securities is expressly subordinated to the extent and in the manner set forth in the Indenture, in right of payment to the prior payment of all Senior Indebtedness. "Senior Indebtedness" includes all Indebtedness (as defined in this paragraph) of the Company, to the extent unsecured, arising out of any matter or event occurring prior to the date on which any payment on or in respect of any Securities matures and becomes due and payable, which has not in whole or in part been subordinated in right of payment to any other Indebtedness of the Company. "Indebtedness" means all obligations which would be treated as liabilities in accordance with generally accepted accounting principles. By reason of such subordination, upon the maturity of any Senior Indebtedness, full payment in accordance with the terms thereof must be made or provided for before any

payment of principal or interest, if any, or premium, if any, is made upon the Securities and, in the event of bankruptcy, assignment for benefit of creditors, liquidation, reorganization or other marshalling of assets and liabilities of the Company, payment of the principal and interest, if any, and/or premium, if any, on the Securities will be subordinated to the prior payment in full of all Senior Indebtedness, and nothing shall be paid to the holders of the Securities unless all amounts due to the holders of Senior Indebtedness have been paid or provided for. (Sections 401 and 402 of the Indentures)

There is no limitation in the Indenture on the amount of Senior Indebtedness or other Indebtedness that may exist. At November 30, 1993, Senior Indebtedness (on an unconsolidated basis) was approximately $15 billion and total assets of the Company (on an unconsolidated basis) were approximately $20 billion.

Junior Indebtedness. The Securities will be senior in right of payment to certain Indebtedness of the Company designated as subordinated debt in the respective instrument or plan document pursuant to which such Indebtedness was issued or incurred. (Section 411 of the Indentures) At November 30, 1993, approximately $296 million of such subordinated debt (on an unconsolidated basis) was outstanding.

Financial Covenants. To the extent there are Securities issued and outstanding, then the Company may pay dividends on its common stock (with the exception of dividends paid in the Company's common stock) only to the extent that the aggregate of such dividends paid subsequent to June 30, 1978 does not exceed the sum of (i) $5,000,000, (ii) the aggregate Consolidated Net Income earned since that date, (iii) the net proceeds of the sale since that date of common stock of the Company and (iv) the net proceeds of indebtedness sold since that date which was thereafter converted into common stock of the Company. (Section 505 of the Indentures)

Events of Default and Acceleration and Notice Thereof. The holders of a majority in aggregate principal amount of the outstanding Securities of a series will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee with respect to the Securities of such series. The Trustee or the holders of not less than 25% in aggregate principal amount of the Outstanding Securities of a series may, if an Event of Acceleration as defined in the Indenture occurs with respect to Securities of that series, declare, by notice in writing, the principal amount (or, if the Securities of that series are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms of that series) of all Outstanding Securities of that series and the interest accrued thereof to be due and payable on the last business day of the sixth calendar month following such notice (but not earlier than the first anniversary of the date of issuance of such Securities in any event) and, if such Event of Acceleration is not cured by the Company prior to such last business day, the Outstanding Securities of that series will be due and payable on that date. In case an Event of Default with respect to Securities of any series shall occur, the principal amount (or, if the Securities of that series are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms of that series) of all Outstanding Securities of that series will become immediately due and payable. Subject to provisions requiring the exercise of the degree of care a prudent man would show in the conduct of his own affairs, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any of the holders of Securities unless they shall have offered to the Trustee reasonable security or indemnity. Except as specifically provided in the Indenture, nothing therein relieves the Trustee from liability for its own negligent action, its own negligent failure

to act or its own wilful misconduct. (Sections 702(a), 703, 714, 801 and 803(e) of the Indentures)

The following events constitute Events of Acceleration as defined in the Indenture with respect to any series of Securities: failure for 30 days to pay interest upon any Security of that series when due; failure to pay principal or premium, if any, on any Security of that series when due; failure for 60 days after notice to perform a certain covenant in the Indenture; and, with respect to the Senior Subordinated Securities and the Debt Securities subject to certain conditions, acceleration of the maturity of Indebtedness of the Company constituting net capital aggregating more than $5,000,000 ($10,000,000 with respect to the New Debt Securities) upon default thereon. Events of Default include: bankruptcy, liquidation and similar proceedings and the failure for 15 consecutive days to maintain the minimum amount of net capital under the Net Capital Rule necessary to permit the Company to carry on its business as a broker-dealer. (Section 701 of the Indentures)

The Indenture provides that the Trustee shall, within 90 days after the occurrence of an event described in the preceding paragraph (without regard to any period of grace as therein specified or any requirement for the giving of notice) or the failure of the Company to duly observe or perform any provision of the Indenture with respect to Securities of any series, give to the holders of the Outstanding Securities of that series notice of all uncured defaults known to it with respect to Securities of that series (including both Events of Default and Events of Acceleration); provided that, except in the case of default in the payment of principal or interest, if any, on any of the Securities of that series or the payment of any sinking fund installment, the Trustee shall be protected in withholding such notice if it in good faith determines that the withholding of such notice is in the interests of the holders of the Outstanding Securities of that series. (Section 802 of the Indentures)

The Company must deliver to the Trustee annually an officers' certificate stating whether or not the signers thereof have obtained knowledge of any existing default by the Company in the performance or fulfillment of the covenants, agreements and obligations contained in the Indenture with respect to any series of Securities and, if so, specifying each such default and the nature thereof. (Section 506 of the Indentures)

Modification of the Securities Indenture. Modifications and amendments of the Indenture may be made by the Company and the Trustee with the consent of the holders of not less than a majority in aggregate principal amount of the Outstanding Securities of each series affected thereby; provided, however, that no such modification or amendment may, without the consent of the holder of each Outstanding Security affected thereby: (a) change the stated maturity date of the principal of or any installment of principal of or interest, if any, on any Security; (b) reduce the principal amount of or the premium (if any) or interest, if any, on any Security; (c) adversely affect any right of Repayment at the option of the holder of any Security, or reduce the amount of or postpone that date fixed for, the payment of any sinking fund or analogous obligation; (d) reduce the amount of principal of an Original Issue Discount Security payable upon acceleration of the Maturity thereof (e) change the place or currency of payment of principal of, or premium (if any) or interest, if any, on any Security; (f) impair the right to institute suit for the enforcement of any payment on or with respect to any Security; or (g) reduce the percentage in principal amount of Outstanding Securities of any series, the consent of the holders of which is required for modification or amendment of the Indenture or for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults. (Section 1102 of the Indentures)

The holders of not less than a majority in aggregate principal amount of the Outstanding Securities of any series may on behalf of the holders of all Securities of that series waive, insofar as that series is concerned, compliance by the Company with certain restrictive covenants of the Indenture. (Section 507 of the Indentures) The holders of a majority in aggregate principal amount of the Outstanding Securities of any series may on behalf of the holders of all Securities of that series waive any past default under the Indenture with respect to that series, except a default in the payment of the principal of or the premium (if any) or interest, if any, on any Security of that series or in respect of a provision which under the Indenture cannot be modified or amended without the consent of the holder of each Outstanding Security of that series affected. (Section 715 of the Indentures)

Satisfaction and Discharge. The Indenture may be fully satisfied and discharged not earlier than two years after payment of all Outstanding Securities shall have been made or duly provided for. (Section 601 of the Indentures)

Certain Information Relating to the Trustee. The Company and its affiliates maintain bank accounts, borrow money and have other customary banking relationships with the Trustee.

UNLESS OTHERWISE SPECIFIED, TERMS DEFINED UNDER A CAPTION SET FORTH BELOW WITH RESPECT TO A SPECIFIC ISSUE OF SECURITIES SHALL HAVE SUCH MEANINGS ONLY AS TO THE SECURITIES DESCRIBED THEREIN.

SENIOR SUBORDINATED SECURITIES ISSUED UNDER THE MARINE INDENTURE

TERMS AND PROVISIONS OF 12 1/2% SENIOR SUBORDINATED NOTES DUE 1994

The 12 1/2% Senior Subordinated Notes Due 1994 (the "12 1/2% Notes") bear interest at the annual rate of 12 1/2%, payable semiannually on April 15 and October 15 of each year and at maturity, to the person in whose name a 12 1/2% Note is registered at the close of business on the last day of the month preceding such interest payment date. The 12 1/2% Notes mature on October 15, 1994. The 12 1/2% Notes are not subject to any sinking fund nor are they subject to redemption prior to maturity.

TERMS AND PROVISIONS OF 11 5/8% SENIOR SUBORDINATED DEBENTURES DUE 2005

The 11 5/8% Senior Subordinated Debentures Due 2005 (the "11 5/8% Debentures") bear interest at the annual rate of 11 5/8%, payable semiannually on May 15 and November 15 of each year and at maturity, to the person in whose name a 11 5/8% Debenture is registered at the close of business on the last day of the month preceding such interest payment date. The 11 5/8% Debentures mature on May 15, 2005. The 11 5/8% Debentures are not subject to any sinking fund nor are they subject to redemption prior to maturity.

TERMS AND PROVISIONS OF 10 3/4% SENIOR SUBORDINATED NOTES DUE 1996

The 10 3/4% Senior Subordinated Notes Due 1996 (the "10 3/4% Notes") bear interest at the annual rate of 10 3/4%, payable semiannually on March 1 and September 1 of each year and at maturity, to the person in whose name a 10 3/4% Note is registered at the close of business on the 15th day of the month preceding such interest payment date. The 10 3/4% Notes mature on April 29, 1996. The 10 3/4% Notes are not subject to any sinking fund nor are they subject to redemption prior to maturity.

TERMS AND PROVISIONS OF 9 7/8% SENIOR SUBORDINATED NOTES DUE 2000

The 9 7/8% Senior Subordinated Notes Due 2000 (the "9 7/8% Notes") bear interest at the annual rate of 9 7/8%, payable semiannually on April 15 and October 15 of each year and at maturity, to the person in whose name a 9 7/8% Note is registered at the close of business on the last day of the month preceding such interest payment date. The 9 7/8% Notes mature on October 15, 2000. The 9 7/8% Notes are not subject to any sinking fund nor are they subject to redemption prior to maturity.

TERMS AND PROVISIONS OF 10% SENIOR SUBORDINATED NOTES DUE 1999

The 10% Senior Subordinated Notes Due 1999 (the "10% Notes") bear interest at the annual rate of 10%, payable semiannually on May 15 and November 15 of each year and at maturity, to the person in whose name a 10% Note is registered at the close of business on the last day of the month preceding such interest payment date. The 10% Notes mature on May 15, 1999. The 10% Notes are not subject to any sinking fund nor are they subject to redemption prior to maturity.

DEBT SECURITIES ISSUED UNDER THE CONTINENTAL INDENTURE

TERMS AND PROVISIONS OF 9 1/2% SENIOR SUBORDINATED NOTES DUE 1997

The 9 1/2% Senior Subordinated Notes Due 1997 (the "9 1/2% Notes") bear interest at the annual rate of 9 1/2%, payable semiannually on June 15 and December 15 of each year and at maturity, to the person in whose name a 9 1/2%

Note is registered at the close of business on the last day of the month preceding such interest payment date. The 9 1/2% Notes mature on June 15, 1997. The 9 1/2% Notes are not subject to any sinking fund nor are they subject to redemption prior to maturity.

TERMS AND PROVISIONS OF 6% SENIOR SUBORDINATED NOTES DUE 1994

The 6% Senior Subordinated Notes Due 1994 (the "6% Notes") bear interest at the annual rate of 6%, payable semiannually on June 15 and December 15 of each year and at maturity, to the person in whose name a 6% Note is registered at the close of business on the last day of the month preceding such interest payment date. The 6% Notes mature on December 30, 1994. The 6% Notes are not subject to any sinking fund nor are they subject to redemption prior to maturity.

TERMS AND PROVISIONS OF FLOATING RATE SENIOR SUBORDINATED NOTES DUE 1994

The Floating Rate Senior Subordinated Notes Due 1994 (the "Floating Rate Notes") bear interest at the rate of 3-month LIBOR plus .625%, payable quarterly on the third Wednesday in January, April, July and October of each year (each such day an "Interest Payment Date"), and at maturity, to the person in whose name a Floating Rate Note is registered at the close of business on the fifteenth day prior to any Interest Payment Date. The interest rate of the Floating Rate Notes will be reset on the third Wednesday in January, April, July and October of each year; and, the Interest Determination Date with respect to each Interest Reset Date will be the second London business day prior to the relevant Interest Reset Date. The Floating Rate Notes mature on July 14, 1994. The Floating Rate Notes are not subject to any sinking fund nor are they subject to redemption prior to maturity.

TERMS AND PROVISIONS OF FLOATING RATE SENIOR SUBORDINATED NOTES DUE 1996

The Floating Rate Senior Subordinated Notes Due 1996 (the "FRN's") bear interest at the rate of 3-month LIBOR plus .625%, payable quarterly on the third Wednesday in February, May, August and November of each year (each such day an "Interest Payment Date"), and at maturity, to the person in whose name an FRN is registered on the fifteenth day prior to any Interest Payment Date. The interest rate of the FRN's will be reset on the third Wednesday in February, May, August and November of each year; and, the Interest Determination Date with respect to each Interest Reset Date will be the second London business day prior to the relevant Interest Reset Date. The FRN's mature on May 17, 1996. The FRN's are not subject to any sinking fund nor are they subject to redemption prior to maturity.

TERMS AND PROVISIONS OF 5 3/4% SENIOR SUBORDINATED NOTES DUE 1998

The 5 3/4% Senior Subordinated Notes Due 1998 (the "5 3/4% Notes") bear interest at the annual rate of 5 3/4% payable semiannually on May 15 and November 15 of each year (commencing May 15, 1994) and at maturity, to the person in whose name a 5 3/4% Note is registered at the close of business on the last day of the month preceding such interest payment date. The 5 3/4% Notes are not subject to any sinking fund nor are they subject to redemption prior to maturity.

TERMS AND PROVISIONS OF STEP-UP SENIOR SUBORDINATED NOTES DUE 2003

General

The Step-Up Senior Subordinated Notes Due 2003 (the "Step-Up Notes") bear interest at the annual rate of 5.04% from December 23, 1993 to, but not including, December 15, 1996, and at the annual rate of 7.36% from December 15, 1996 to, but not including, December 15, 2003 (the "Maturity Date"). Interest on the Step-Up Notes is payable semiannually on June 15 and December 15 of each year (commencing June 15, 1994) and on the Maturity Date to the person in whose name a Step-Up Note is registered at the close of business on the last day of the month preceding such Interest Payment Date. Other than as described in the next succeeding paragraph, the Step-Up Notes are not subject to redemption or repayment prior to maturity and will not be subject to any sinking fund. The Step-Up Notes will accrue original issue discount for federal income tax purposes. Calculation of original issue discount is based on a yield to maturity of 6.507%, as provided to the Internal Revenue Service. Holders of Step-Up Notes should consult their own tax advisors regarding the tax consequences of holding a Step-Up Note.

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Repayment at Option of Holder

The Step-Up Notes may be repaid in whole or in part in increments of $1,000 on December 15, 1996 (the "Repayment Date"), at the option of the Holder thereof, at a repayment price equal to 100% of the principal amount together with interest thereon payable to the Repayment Date (the "Repayment Amount"). If the Repayment Date is not a Business Day, the Company will pay the Repayment Amount on the next succeeding Business Day. Notice of a Holder's election to have the Company repurchase a Step-Up Note must be received by the Company from and including October 15, 1996 to and including November 15, 1996 or, if such November 15 is not a Business Day, the next succeeding Business Day (the "Election Period"). Any such election shall be irrevocable. After the Election Period, Holders of the Step-Up Notes shall not have any option to elect repayment. The obligation of the Company to repay the Step-Up Notes on the Repayment Date is subject to the restrictions on payment described in the Indenture. (See "Description of Securities -- Restrictions on Payment.")

UNITED STATES TAXATION

Certain Tax Consequences for United States Holders. The following summary describes certain United States federal income tax consequences of the ownership of Securities as of the date hereof. Except where noted, it deals only with Securities held as capital assets by United States Holders and does not deal with special situations, such as those of dealers in securities, financial institutions, life insurance companies or United States Holders whose "functional currency" is not the U.S. dollar. Furthermore, the discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "Code") and regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be repealed, revoked or modified so as to result in federal income tax consequences different from those discussed below. For a discussion of certain United States federal income tax consequences of the ownership of Securities to Non-United States Holders see "Certain Tax Consequences for Non-United States Holders" below. PERSONS CONSIDERING THE PURCHASE, OWNERSHIP OR DISPOSITION OF SECURITIES SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE FEDERAL INCOME TAX CONSEQUENCES IN LIGHT OF THEIR PARTICULAR SITUATIONS AS WELL AS ANY CONSEQUENCES ARISING UNDER THE LAWS OF ANY OTHER TAXING JURISDICTION.

UNITED STATES HOLDERS. As used herein, a "United States Holder" of a Security means a holder that is a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, or an estate or trust the income of which is subject to United States federal income taxation regardless of its source.

PAYMENTS OF INTEREST. Except as set forth below, interest on a Security will generally be taxable to a United States Holder as ordinary income from domestic sources at the time it is paid or accrued in accordance with the United States Holder's method of accounting for tax purposes.

ORIGINAL ISSUE DISCOUNT. The following is a summary of the principal United States federal income tax consequences of the ownership of Securities issued with original issue discount ("Original Issue Discount Notes") by United States Holders. This summary is based upon the Code and upon proposed regulations issued by the Treasury Department on December 21, 1992 (the "Proposed Regulations"). There can be no assurance that the final Treasury Regulations will not differ materially from the Proposed Regulations. Accordingly, the ultimate federal income tax treatment of the Securities may differ substantially from that described below.

A Security may be issued for an amount that is less than its stated redemption price at maturity (the sum of all payments to be made on the Security other than "qualified stated interest"). The difference between the stated redemption price at maturity of the Security and its "issue price," if such difference is at least 0.25% of the stated redemption price at maturity multiplied by the number of complete years to Maturity, will be "original issue discount" ("OID"). The "issue price" of each Security will be the initial offering price to the public at which a substantial amount of the particular offering is sold. "Qualified stated interest" is stated interest that is unconditionally payable in cash or in property (other than debt instruments of the issuer) at least annually and, with respect to a Security paying a fixed rate of interest, at a single fixed rate. Interest is

payable at a single fixed rate only if the rate appropriately takes into account the length of the interval between payments.

The Proposed Regulations provide that Securities that may be redeemed prior to their Stated Maturity shall be treated from the time of issuance as having a maturity date for federal income tax purposes on such redemption date if such redemption would result in a lower yield to maturity in the case of a redemption at the issuer's option or a higher yield to maturity in the case of a redemption at the holder's option. The Company will determine whether a particular Security is deemed to have a maturity date for federal income tax purposes prior to its Stated Maturity.

In certain cases, Securities that bear stated interest and are issued at par may be deemed to bear OID for federal income tax purposes, with the result that the inclusion of interest into income for federal income tax purposes may vary from the actual cash payments of interest made on such Securities, generally accelerating income for cash method taxpayers. Under the Proposed Regulations, a Security may be an Original Issue Discount Note where (a) a Security providing for a variable rate of interest provides for a maximum interest rate or a minimum interest rate that is very likely to cause the interest rate in one or more accrual periods, known as of the issue date, to be significantly less or significantly more, as the case may be, than the overall expected return on the Security; (b) a Security bears interest initially at a fixed rate followed by a qualified floating rate or a Security provides for one qualified floating rate followed by a second qualified floating rate and the later interest rate is not a reasonable substitute for the initial interest rate during the period the initial interest rate is in effect; (c) due to an interest holiday, teaser rate or other interest shortfall, the amount of OID is more than de minimis; (d) interest is payable at a single fixed rate but the rate does not appropriately take into account the length of the interval between payments; or (e) a Security has daily or weekly interest reset dates that would cause a delay in the payment of interest. The Company will determine whether a particular Security is an Original Issue Discount Note.

United States Holders of Original Issue Discount Notes with a maturity upon issuance of more than one year must, in general, include OID in income in advance of the receipt of some or all of the related cash payments. The amount of OID includible in income by the initial United States Holder of an Original Issue Discount Note is the sum of the "daily portions" of OID with respect to the Security for each day during the taxable year or portion of the taxable year in which such United States Holder held such Security ("accrued OID"). The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. The "accrual period" for an Original Issue Discount Note may be of any length and may vary in length over the term of the Security, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs at the end of an accrual period. In general, the computation of OID is simplest if accrual periods correspond to the intervals between payment dates provided by the terms of the Security. The amount of OID allocable to any accrual period is an amount equal to the excess, if any, of (a) the product of the Security's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the qualified stated interest allocable to the accrual period. In determining OID allocable to an accrual period, if an interval between payments of qualified stated interest contains more than one accrual period, the amount of qualified stated interest payable at the end of the interval is allocated on a pro rata basis to each accrual period in the interval and the adjusted issue price must be increased by the amount of any qualified stated interest that has accrued prior to the beginning of the accrual period but is not payable until a later date. OID allocable to a final accrual period is the difference between the amount payable at maturity (other than a payment of qualified stated interest) and the adjusted issue price at the beginning of the final accrual period. If all accrual periods are of equal length, except for an initial short accrual period, the amount of OID allocable to the initial short accrual period may be computed under any reasonable method. The "adjusted issue price" of the Security at the beginning of any accrual period is equal to its issue price increased by the accrued OID for each prior accrual period and reduced by any prior payments with respect to such Security that were not qualified stated interest. Under these rules, a United States Holder will have to include in income increasingly greater amounts of OID in successive accrual periods. The Company is required to provide information returns

stating the amount of OID accrued on Securities held of record by persons other than corporations and other exempt holders.

United States Holders that use the accrual method of accounting may elect to treat all interest on any Security as OID and calculate the amount includible in gross income under the constant yield method described above. For the purposes of this election, interest includes stated interest, acquisition discount, OID, de minimis OID, market discount, de minimis market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium. If a United States Holder makes this election for a Security with market discount or amortizable bond premium, the election is treated as an election under the market discount or amortizable bond premium provisions, described below, and the electing United States Holder will be required to amortize bond premium or include market discount in income currently for all of the holder's other debt instruments with market discount or amortizable bond premium. The election is to be made for the taxable year in which the United States Holder acquired the Security, and may not be revoked without the consent of the Internal Revenue Services ("IRS"). UNITED STATES HOLDERS SHOULD CONSULT WITH THEIR OWN TAX ADVISERS ABOUT THIS ELECTION.

In the case of Original Issue Discount Notes having a term of one year or less ("Short-Term Original Issue Discount Notes"), all payments (including all stated interest) will be included in the stated redemption price at maturity and, thus, United States Holders will generally be taxable on the discount in lieu of stated interest. The discount will be equal to the excess of the stated redemption price at maturity over the issue price of a Short-Term Original Issue Discount Note, unless the United States Holder elects to compute this discount using tax basis instead of issue price. In general, an individual and certain other cash method United States Holders of a Short-Term Original Issue Discount Note are not required to include accrued discount in their income currently unless they elect to do so. United States Holders who report income for federal income tax purposes on the accrual method and certain other United States Holders are required to accrue discount on such Short-Term Original Issue Discount Notes (as ordinary income) on a straight-line basis, unless an election is made to accrue the discount according to a constant yield method based on daily compounding. In the case of a United States Holder who is not required, and does not elect, to include discount in income currently, any gain realized on the sale, exchange or retirement of the Short-Term Original Issue Discount Note will be ordinary income to the extent of the discount accrued through the date of sale, exchange or retirement. In addition, such non-electing United States Holder not subject to the current inclusion requirement described in this paragraph may be required to defer deductions for a portion of the United States Holder's interest expense with respect to any indebtedness incurred or continued to purchase or carry such Securities.

MARKET DISCOUNT AND PREMIUM. If a United States Holder purchases a Security for an amount that is less than its "revised issue price" (defined as the sum of the issue price of the Security (as defined above) and the aggregate amount of the OID includible, if any, without regard to the rules for acquisition premium discussed below, in the gross income of all previous holders of the Security), the amount of the difference will be treated as "market discount" for federal income tax purposes, unless such difference is less than a specified de minimis amount. Under the market discount rules, a United States Holder will be required to treat any principal payment on, or any gain on the sale, exchange, retirement or other disposition of, a Security as ordinary income to the extent of the market discount which has not previously been included in income and is treated as having accrued on such Security at the time of such payment or disposition. In addition, a United States Holder may be required to defer, until the maturity of the Security or its earlier disposition in a taxable transaction, the deduction of all or a portion of the interest expense on any indebtedness incurred or continued to purchase or carry such Security.

Any market discount will be considered to accrue ratably during the period of acquisition to the maturity date of the Security, unless the United States Holder elects to accrue on a constant interest method. A United States Holder of a Security may elect to include market discount in income currently as it accrues (on either a ratable or constant interest method), in which case the rule described above regarding deferral of interest deductions will not apply. This election to include market discount in income currently, once made, applies to all market discount obligations acquired on or after the first taxable year to which the election applies, and may not be revoked without the consent of the

IRS.

A United States Holder who purchases a Security for an amount that is greater than its adjusted issue price but equal to or less than the sum of all amounts payable on the Security after the purchase date other than payments of qualified stated interest will be considered to have purchased such Security at an "acquisition premium". Under the acquisition premium rules, the amount of OID which such holder must include in its gross income with respect to such Security for any taxable year will be reduced by the portion of such acquisition premium properly allocable to such year.

A United States Holder who purchases a Security for an amount in excess of the sum of all amounts payable on the Security after the purchase date other than qualified stated interest will be considered to have purchased the Security at a "premium" and will not be required to include any OID in income. A United States Holder generally may elect to amortize the premium over the remaining term of the Security on a constant yield method. The amount amortized in any year will be treated as a reduction of the United States Holder's interest income from the Security. Bond premium on a Security held by a United States Holder that does not make such an election will decrease the gain or increase the loss otherwise recognized on disposition of the Security. The election to amortize premium on a constant yield method once made applies to all debt obligations held or subsequently acquired by the electing United States Holder on or after the first day of the first taxable year to which the election applies and may not be revoked without the consent of the IRS.

SALE, EXCHANGE AND RETIREMENT OF SECURITIES. A United States Holder's tax basis in a Security will, in general, be the United States Holder's cost therefor, increased by OID or market discount, or any discount with respect to a Short-Term Original Issue Discount Note, included in income by the United States Holder and reduced by an amortized acquisition premium in the case of Original Issue Discount Notes, any amortized bond premium and any cash payments on the Security other than qualified stated interest. Upon the sale, exchange or retirement of a Security (which might arise in the event of a satisfaction and discharge), a United States Holder will recognize gain or loss equal to the difference between the amount realized upon the sale, exchange or retirement and the adjusted tax basis of the Security. Except as described above with respect to certain Short-Term Original Issue Discount Notes, and except to the extent of any accrued market discount, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange or retirement the Security has been held for more than one year. Under current law, net capital gains of individuals are, under certain circumstances, taxed at lower rates than items of ordinary income. The deductibility of capital losses is subject to limitations.

BACKUP WITHHOLDING AND INFORMATION REPORTING. In general, information reporting requirements will apply to certain payments of principal, interest, OID and premium paid on Securities and to proceeds of sale of a Security made to United States Holders other than certain exempt recipients (such as corporations). A 31% backup withholding tax will apply to such payments if the United States Holder fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income.

Certain Tax Consequences for Non-United States Holders. Under present United States federal income and estate tax law, and subject to the discussion below concerning backup withholding:

(a) no withholding of United States federal income tax will be required with respect to the payment by the Company or any Paying Agent of principal or interest (which for purposes of this discussion includes OID) on a Security owned by a Non-United States Holder, provided, in the case of interest, (i) that the beneficial owner does not actually or constructively own 10% or more of the total combined voting power of all classes of stock of the Company entitled to vote within the meaning of Section 871(h)(3) of the Code and the regulations thereunder, (ii) the beneficial owner is not a controlled foreign corporation that is related to the Company through stock ownership and (iii) the beneficial owner satisfies the statement requirement (described generally below) set forth in Section 871(h) and Section 881(c) of the Code and the regulations thereunder;

(b) no withholding of United States federal income tax will be required with respect to any gain or income realized by a Non-United States

Holder upon the sale, exchange or retirement of a Security; and

(c) a Security beneficially owned by an individual who at the time of death is a Non-United States Holder will not be subject to United States federal income tax as a result of such individual's death, provided that such individual does not actually or constructively own 10% or more of the total combined voting power of all classes of stock of the Company entitled to vote within the meaning of Section 871(h)(3) of the Code and provided that the interest payments with respect to such Security would not have been, if received at the time of such individual's death, effectively connected with the conduct of a United States trade or business by such individual.

To qualify for the exemption from withholding tax in (a)(iii) above, the beneficial owner of a Security, or a financial institution holding the Security on behalf of such owner, must provide, in accordance with specified procedures, a Paying Agent of the Company with a statement to the effect that the beneficial owner is not a United States person. Pursuant to current temporary Treasury Regulations, these requirements will be met if (1) the beneficial owner provided his name and address, and certifies, under penalties of perjury, that he is not a United States person (which certification may be made on an IRS Form W-8, or any successor form) or (2) a financial institution holding the Security on behalf of the beneficial owner certifies, under penalties of perjury, that such statement has been received by it and furnishes a Paying Agent with a copy thereof.

Payments to Non-United States Holders not meeting the requirements of paragraph (a) above and thus subject to withholding of United States federal income tax may nevertheless be exempt from such withholding if the beneficial owner of the Security provides a Paying Agent of the Company with a properly executed (1) IRS Form 1001 (or any successor form) claiming an exemption from withholding under the benefit of a tax treaty or (2) IRS Form 4224 (or any successor form) stating that interest paid on the Security is not subject to withholding tax because it is effectively connected with the owner's conduct of a trade or business in the United States.

As used herein, "United States person" means a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States and an estate or trust the income of which is subject to United States federal income taxation regardless of its source. The term "Non-United States Holder" means any Holder which is not a United States person.

No information reporting or backup withholding will be required with respect to payments made by the Company or any Paying Agent to Non-United States Holders if a statement described in (a)(iii) above has been received and the payor does not have actual knowledge that the beneficial owner is a United States person.

In addition, backup withholding and information reporting will not apply if payments of principal, interest, original issue discount or premium on a Security are paid or collected by a foreign office of a custodian, nominee or other foreign agent on behalf of the beneficial owner of such Security, or if a foreign office of a broker (as defined in applicable Treasury Regulations) pays the proceeds of the sale of a Security to the owner thereof. If, however, such nominee, custodian, agent or broker is, for United States federal income tax purposes, a United States person, a controlled foreign corporation or a foreign person that derives 50% or more of its gross income for certain periods from the conduct of a trade or business in the United States, such payments will not be subject to backup withholding but will be subject to information reporting, unless (1) such custodian, nominee, agent or broker has documentary evidence in its records that the beneficial owner is not a United States person and certain other conditions are met or (2) the beneficial owner otherwise establishes an exemption. Temporary Treasury Regulations provide that the Treasury is considering whether backup withholding will apply with respect to such payments of principal, interest or the proceeds of a sale that are not subject to backup withholding under the current regulations. Under proposed Treasury Regulations not currently in effect, backup withholding will not apply to such payments absent actual knowledge that the payee is a United States person.

Payments of principal, interest, original issue discount or premium on a Security paid to the beneficial owner of a Security by a United States office of a custodian, nominee or agent, or the payment by the United States office of a

broker of the proceeds of sale of a Security, will be subject to both backup withholding and information reporting unless the beneficial owner provides a statement described in (a)(iii) above and the

payor does not have actual knowledge that the beneficial owner is a United States person or otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against such holder's United States federal income tax liability provided the required information is furnished to the IRS.

CAPITAL REQUIREMENTS

As registered broker-dealers the Company and certain of its subsidiaries (the "Regulated Subsidiaries") are subject to the SEC's net capital rule (Rule 15c3-1, the "Net Capital Rule"), promulgated under the Exchange Act. The NYSE monitors the application of the Net Capital Rule by the Company. The NYSE and the NASD, as the case may be, monitor the application of the Net Capital Rule by the Regulated Subsidiaries. The Company and the Regulated Subsidiaries compute net capital under the alternative method of the Net Capital Rule which requires the maintenance of minimum net capital, as defined. A broker-dealer may be required to reduce its business if its net capital is less than 4% of aggregate debit balances and may also be prohibited from expanding its business or paying cash dividends, if resulting net capital would be less than 5% of aggregate debit balances. In addition, the Net Capital Rule does not allow withdrawal of subordinated capital if net capital would be less than 5% of such debit balances.

The Net Capital Rule also limits the ability of broker-dealers to transfer large amounts of capital to parent companies and other affiliates. Under the Net Capital Rule equity capital can not be withdrawn from a broker-dealer without the prior approval of the SEC when net capital after the withdrawal would be less than 25% of its securities positions haircuts (which are deductions from capital of certain specified percentages of the market value of securities to reflect the possibility of a market decline prior to disposition). In addition, the Net Capital Rule requires broker-dealers to notify the SEC and the appropriate self-regulatory organization two business days before a withdrawal of excess net capital if the withdrawal would exceed the greater of $500,000 or 30% of the broker-dealer's excess net capital, and two business days after a withdrawal that exceeds the greater of $500,000 or 20% of excess net capital. Finally, the Net Capital Rule authorizes the SEC to order a freeze on the transfer of capital if a broker-dealer plans a withdrawal of more than 30% of its excess net capital and the SEC believes that such a withdrawal would be detrimental to the financial integrity of the firm or would jeopardize the broker-dealer's ability to pay its customers.

Compliance with the Net Capital Rule could limit those operations of the Company and its Regulated Subsidiaries that require the intensive use of capital, such as underwriting and trading activities and the financing of customer account balances.

The Company is subject to other domestic and international regulatory requirements with which it is required to comply.

OUTSTANDING SUBORDINATED DEBT INSTRUMENTS

The Company has issued various subordinated debt instruments in a form, and to persons, approved by the NYSE in accordance with the provisions of NYSE Rule 325. The Securities constitute such subordinated debt. The Company is permitted to treat such subordinated debt as capital for the purposes of the Net Capital Rule and NYSE Rule 325. The instruments evidencing such subordinated debt provide that they shall be subordinated and junior in right of payment to the prior payment in full, or provision for such payment, of all obligations to all other present and future creditors of the Company (except for other subordinated debt similarly subordinated).

ERISA MATTERS

The Company and Lehman Special Securities Inc. each may be considered a "party in interest" within the meaning of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and a "disqualified person" under corresponding provisions of the Internal Revenue Code of 1986, as amended (the

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"Code"), with respect to certain employee benefit plans. Certain transactions between an employee benefit plan and a party in interest or disqualified person may result in "prohibited transactions" within the meaning of ERISA and the Code. ANY EMPLOYEE BENEFIT PLAN PROPOSING TO INVEST IN THE SECURITIES SHOULD CONSULT WITH ITS LEGAL COUNSEL.

OTHER MATTERS

The distribution of the Securities will comply with the requirements of Schedule E of the By-Laws of the NASD regarding an NASD member firm distributing securities of an affiliate.

INDEPENDENT ACCOUNTANTS

The consolidated financial statements and schedules of the Company for the years ended December 31, 1992, December 31, 1991 and December 31, 1990, appearing in the Company's Annual Report on Form 10-K for the year ended December 31, 1992, have been audited by Ernst & Young, independent auditors, as set forth in their report thereon included therein and incorporated herein by reference. Such consolidated financial statements and schedules are, and audited financial statements included in subsequently filed documents will be, incorporated herein by reference in reliance upon the reports of Ernst & Young pertaining to such financial statements (to the extent covered by consents filed with the Securities and Exchange Commission) given upon the authority of such firm as experts in accounting and auditing.

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NO DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY OF THE SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE OF THIS PROSPECTUS.

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LEHMAN BROTHERS INC.

Senior Subordinated
Debt Securities

PROSPECTUS

January , 1994

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following are the estimated expenses to be incurred by Lehman Brothers Inc. (the " Registrant"), in connection with the offering described in this Registration Statement (other than underwriting discounts and commissions).

<TABLE>

<S>	<C>
SEC registration fee	$275,862
NASD fee	30,500
Legal fees and expenses	50,000*
Accounting fees and expenses	50,000*
Fees and expenses of Trustee	30,000*
Blue Sky qualification fees and expenses	25,000*
Printing and engraving fees	100,000*
Miscellaneous	13,638
Total	$575,000

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* Estimated and subject to future contingencies.

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Restated Certificate of Incorporation of the Registrant requires the Registrant to indemnify its directors and officers to the fullest extent permitted by Delaware General Corporation Law. In addition, the directors of the Registrant are insured under officers' and directors' liability insurance policies purchased by American Express Company. The directors, officers and employees of the Registrant are also insured against fiduciary liabilities under the Employee Retirement Income Security Act of 1974.

Any underwriting agreement or agency agreement with respect to an offering of securities registered hereunder will provide for the indemnification of the Registrant and its officers and directors by the underwriters or agents, as the case may be, against certain liabilities including liabilities under the Securities Act of 1933.

ITEM 16. EXHIBITS

The Exhibit Index on page E-1 is hereby incorporated by reference.

ITEM 17. UNDERTAKINGS

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being

made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement;

provided, however, that the undertakings set forth in paragraphs (i) and (ii) above do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in

periodic reports filed by the registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) That, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Act of 1934 that is incorporated by reference in the Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the Restated Certificate of Incorporation and other provisions summarized in Item 15 above, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted against the Registrant by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York, on the 7th day of January, 1994.

LEHMAN BROTHERS INC.

By /s/ MICHAEL R. MILVERSTED

Michael R. Milversted
Treasurer

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POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints David Marcus, Michael R. Milversted and Karen M. Muller and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) and supplements to this Registration Statement and any registration statement previously filed by the Registrant or a predecessor in interest, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

SIGNATURE	TITLE	DATE
<S>	<C>	<C>
/s/ RICHARD S. FULD, JR. Richard S. Fuld, Jr.	Chief Executive Officer, President and Director (principal executive officer)	January 7, 1994
/s/ ROBERT MATZA Robert Matza	Chief Financial Officer and Director (principal financial officer)	January 7, 1994
/s/ STEPHEN J. BIER Stephen J. Bier	(principal accounting officer)	January 7, 1994
/s/ ROGER S. BERLIND Roger S. Berlind	Director	January 7, 1994
/s/ PHILIP CALDWELL Philip Caldwell	Director	January 7, 1994
/s/ HARVEY GOLUB Harvey Golub	Director	January 7, 1994
/s/ JOHN R. LAIRD John R. Laird	Director	January 7, 1994
/s/ SHERMAN R. LEWIS, JR. Sherman R. Lewis, Jr.	Director	January 7, 1994
/s/ DAVID MARCUS David Marcus	Director	January 7, 1994
/s/ MALCOLM WILSON Malcolm Wilson	Director	January 7, 1994

</TABLE>

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EXHIBIT INDEX

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION	FILED HEREWITH(-) PREVIOUSLY FILED(*) OR INCORPORATED BY REFERENCE TO
<C> <C>	<S>	<C>
1(a)	-- Form of Underwriting Agreement (including Delayed Delivery Contract)	--
4(a)	-- Form of Indenture between the Registrant and Continental Bank, National Association, as Trustee (the "Trustee"), with respect to the Registrant's Senior Subordinated Debt Securities (the "Securities")	Exhibit 4.3 to Registration Statement No. 33-28381 filed on April 27, 1989
4(b)	-- First Supplemental Indenture, dated as of June 21, 1989, between the Registrant and the Trustee with respect to the Registrant's 9 1/2% Senior Subordinated Notes Due 1997	--
4(c)	-- Second Supplemental Indenture, dated as of October 3, 1990, between the Registrant and the Trustee with respect to the Registrant's 9 7/8% Senior Subordinated Notes Due 1993	--
4(d)	-- Third Supplemental Indenture dated as of December 2, 1992, between the Registrant and the Trustee with respect to the Securities	--
4(e)	-- Fourth Supplemental Indenture dated as of December 30, 1992, between the Registrant and the Trustee with respect to the Registrant's 6% Senior Subordinated Notes Due 1994	--
4(f)	-- Fifth Supplemental Indenture dated as of January 14, 1993, between the Registrant and the Trustee with respect to the Registrant's Floating Rate Senior Subordinated Notes Due 1994	--
4(g)	-- Sixth Supplemental Indenture dated as of May 17, 1993, between the Registrant and the Trustee with respect to the Registrant's Floating Rate Senior Subordinated Notes Due 1996	--
4(h)	-- Seventh Supplemental Indenture dated as of November 17, 1993, between the Registrant and the Trustee with respect to the Registrant's 5 3/4% Senior Subordinated Notes Due 1998	--
4(i)	-- Eighth Supplemental Indenture dated as of December 23, 1993, between the Registrant and the Trustee with respect to the Registrant's Step-Up Senior Subordinated Notes Due 2003	--
4(j)	-- Form of Ninth Supplemental Indenture between the Registrant and the Trustee with respect to the Securities	--
4(k)	-- Forms of Debt Securities	Pages 13 to 21 of Exhibit 4.3 to Registration Statement No. 33-28381 filed on April 27, 1989
4(l)	-- Form of Floating Rate Note	--
5	-- Opinion and consent of David Marcus, Esq.	--

</TABLE>

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<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION	FILED HEREWITH(-) PREVIOUSLY FILED(*) OR INCORPORATED BY REFERENCE TO
<C> <C>	<S>	<C>
12	-- Computation of ratio of earnings to fixed charges	Exhibit 12 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1992 and to the

		Registrant's Quarterly Report on Form 10-Q for the nine months ended September 30, 1993
23(a)	-- Consent of David Marcus, Esq. (included in Exhibit 5)	--
23(b)	-- Consent of Ernst & Young, Independent Auditors	--
24	-- Power of Attorney	Included on Page II-4 of this Registration Statement
25	-- Form T-1 Statement of Eligibility and Qualification under Trust Indenture Act of 1939 of Continental Bank, National Association	--

</TABLE>

SENIOR SUBORDINATED DEBT SECURITIES

LEHMAN BROTHERS INC.

UNDERWRITING AGREEMENT

New York, New York
Dated the date set forth
In Schedule I hereto

To the Representative(s)
named in Schedule I
hereto, of the Underwriters
named in Schedule II hereto

Gentlemen:

Lehman Brothers Inc., a Delaware corporation (the "Company"), proposes to issue and sell to you and the other underwriters named in Schedule II hereto (the "Underwriters"), for whom you are acting as representatives (the "Representatives"), the principal amount of its senior subordinated debt securities identified in Schedule I hereto (the "Securities") to be issued under the indenture (the "Indenture") identified in such Schedule I, between the Company and the trustee (the "Trustee") identified therein. If the firm or firms listed in Schedule II hereto include only the firm or firms listed in Schedule I hereto, then the terms "Underwriters" and "Representatives" shall each be deemed to refer to such firm or firms.

1. Representations and Warranties. The Company represents and warrants to each Underwriter that:

(a) The Company meets the requirements for the use of Form S-3 under the Securities Act of 1933, as amended (the "Securities Act"), and the rules and regulations promulgated thereunder (the "Rules"), and has carefully prepared and filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-3 (the file number of which is set forth in Schedule I hereto), which has become effective, for the registration of the Securities under the Securities Act. The registration statement, as amended at the date of this Agreement, meets the requirements set forth in Rule 415(a)(1)(x) under the Securities Act and complies in all other material respects with such rule. The Company proposes to file with the Commission pursuant to Rule 424 under the Securities Act ("Rule 424") a supplement to the form of prospectus included in the registration statement relating to the initial offering of the Securities and the plan of distribution

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thereof and has previously advised you of all further information (financial and other) with respect to the Company to be set forth therein. The term "Registration Statement" means the registration statement, as amended at the date of this Agreement, including the exhibits thereto,

financial statements, and all documents incorporated therein by reference pursuant to Item 12 of Form S-3 (the "Incorporated Documents"), and such prospectus as then amended, including the Incorporated Documents, is hereinafter referred to as the "Basic Prospectus"; and such supplemented form of prospectus, in the form in which it shall be filed with the Commission pursuant to Rule 424 (including the Basic Prospectus as so supplemented), is hereinafter called the "Final Prospectus". Any preliminary form of the Basic Prospectus which has heretofore been filed pursuant to Rule 424 is hereinafter called the "Interim Prospectus". Any reference herein to the Registration Statement, the Basic Prospectus, any Interim Prospectus or the Final Prospectus shall be deemed to refer to and include the Incorporated Documents which were filed under the Securities Exchange Act of 1934 (the "Exchange Act"), on or before the date of this Agreement or the issue date of the Basic Prospectus, any Interim Prospectus or the Final Prospectus, as the case may be; and any reference herein to the terms "amend", "amendment" or "supplement" with respect to the Registration Statement, the Basic Prospectus, any Interim Prospectus or the Final Prospectus shall be deemed to refer to and include the filing of any Incorporated Documents under the Exchange Act after the date of this Agreement or the issue date of the Basic Prospectus, any Interim Prospectus or the Final Prospectus, as the case may be, and deemed to be incorporated therein by reference.

(b) As of the date hereof, when the Final Prospectus is first filed with the Commission pursuant to Rule 424, when, before the Closing Date (hereinafter defined), any amendment to the Registration Statement becomes effective, when, before the Closing Date, any Incorporated Document is filed with the Commission, when any supplement to the Final Prospectus is filed with the Commission and at the Closing Date, the Registration Statement, the Final Prospectus and any such amendment or supplement will comply in all material respects with the applicable requirements of the Securities Act and the Rules, and the Incorporated Documents will comply in all material respects with the requirements of the Exchange Act or the Securities Act, as applicable, and the rules and regulations adopted by the Commission thereunder; on the date hereof and on the Closing Date, the Indenture shall have been qualified under and will comply in all material respects with the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"); on the date it became effective, the Registration Statement did not, and, on the date that any post-effective amendment to the Registration Statement becomes effective, the Registration Statement as

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amended by such post-effective amendment did not or will not, as the case may be, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; on the date the Final Prospectus is filed with the Commission pursuant to Rule 424 and on the Closing Date, the Final Prospectus, as it may be amended or supplemented, will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading; and on said dates, the Incorporated Documents will comply in all material respects with the applicable provisions of the Exchange Act and rules and regulations of the Commission thereunder, and, when read together with the

Final Prospectus, or the Final Prospectus as it may be then amended or supplemented, will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading; provided that the foregoing representations and warranties in this paragraph (b) shall not apply to statements or omissions made in reliance upon and in conformity with written information furnished to the Company by or through the Representatives on behalf of any Underwriter specifically for use in connection with the preparation of the Registration Statement or the Final Prospectus, as they may be amended or supplemented, or to any statements in or omissions from the statement of eligibility and qualification on Form T-1 of the Trustee under the Trust Indenture Act ("Form T-1").

(c) The Basic Prospectus and any Interim Prospectus, as of their respective dates, complied in all material respects with the requirements of the Securities Act and of the Rules and did not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Commission has not issued an order preventing or suspending the use of the Basic Prospectus or any Interim Prospectus.

(d) The nationally recognized firm of independent public accountants whose report appears in the Company's most recent Annual Report on Form 10-K, which is incorporated by reference in the Final Prospectus, are independent public accountants as required by the Securities Act and the Rules.

(e) In the event that a report of a nationally recognized firm of independent public accountants regarding historical financial information with respect to any entity

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acquired by the Company is required to be incorporated by reference in the Final Prospectus, such independent public accountants were independent public accountants, as required by the Securities Act and the Rules, during the period of their engagement to examine the financial statements being reported on and at the date of their report.

(f) The audited consolidated financial statements of the Company in the Final Prospectus and the Registration Statement present fairly on a consolidated basis the financial position, the results of operations, changes in common stock and other stockholder's equity and cash flows of the Company and its subsidiaries, as of the respective dates and for the respective periods indicated, all in conformity with generally accepted accounting principles applied on a consistent basis throughout the periods involved. The unaudited consolidated financial statements of the Company, if any, included in the Final Prospectus and the Registration Statement and the related notes are true, complete and correct, subject to normally recurring changes resulting from year-end audit adjustments, and have been prepared in accordance with the instructions to Form 10-Q.

(g) Except as described in or contemplated by the Registration Statement and the Final Prospectus, there has not been any material

adverse change in or any adverse development which materially affects the business, properties, financial condition or results of the Company or the Company and its subsidiaries taken as whole, from the dates as of which information is given in the Registration Statement and Final Prospectus.

(h) The Securities conform to the description thereof contained in the Final Prospectus, are duly and validly authorized, and, when validly authenticated, issued and delivered in accordance with the Indenture and sold to the Underwriters as provided in this Agreement, will be validly issued and outstanding obligations of the Company entitled to the benefits of the Indenture.

(i) The Company does not have any subsidiaries having business or properties that are material to the business and properties of the Company and its subsidiaries taken as a whole with the possible exception of Lehman Commercial Paper Inc. and Lehman Government Securities Inc. (the "Named Subsidiaries"). Neither the Company nor any of the Named Subsidiaries is in violation of its corporate charter or by-laws or in default under any agreement, indenture or instrument, the effect of which violation or default would be material to the Company and its subsidiaries taken as a whole. The execution, delivery and performance of this Agreement will not conflict with, result in the creation or imposition of any material lien, charge or encumbrance upon any of the assets of the Company or any of its subsidiaries

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pursuant to the terms of, or constitute a default under, any material agreement, indenture or instrument, or result in a violation of the corporate charter or by-laws of the Company or any of its subsidiaries or any order, rule or regulation of any court or governmental agency having jurisdiction over the Company, any of the Named Subsidiaries or their property. Except as set forth in the Final Prospectus or as required by the Securities Act, the Exchange Act, the Trust Indenture Act and applicable state securities laws, no consent, authorization or order of, or filing or registration with, any court or governmental agency is required for the execution, delivery and performance of this Agreement.

(j) The Company and each of the Named Subsidiaries have been duly organized, are validly existing and in good standing under the laws of their respective jurisdictions of incorporation, are duly qualified to do business and in good standing as foreign corporations and are fully registered as a broker-dealer, broker, dealer or investment advisor, as the case may be, in each jurisdiction in which their respective ownership of property or the conduct of their respective businesses requires such qualification or registration and in which the failure to qualify or register would be reasonably likely, individually or in the aggregate, to have a material adverse effect on the business, condition or properties of the Company and its subsidiaries taken as a whole. Each of the Company and its Named Subsidiaries holds all material licenses, permits, and certificates from governmental authorities necessary for the conduct of its business and owns, or possesses adequate rights to use, all material rights necessary for the conduct of such business and has not received any notice of conflict with the asserted rights of others in respect thereof; and each of the Company and its Named Subsidiaries has the corporate power and authority necessary to own or hold its properties and to conduct the

businesses in which it is engaged. Except as may be disclosed in the Registration Statement and the Final Prospectus, all outstanding shares of capital stock of the Named Subsidiaries are owned by the Company, directly or indirectly through subsidiaries, free and clear of any lien, pledge and encumbrance or any claim of any third party and are duly authorized, validly issued and outstanding, fully paid and non-assessable.

(k) Except as described in the Registration Statement and the Final Prospectus, there is no material litigation or governmental proceeding pending or, to the knowledge of the Company, threatened against the Company or any of its subsidiaries which might reasonably be expected to result in any material adverse change in the business, properties, financial condition or results of operations of the Company and its subsidiaries taken as a whole or which is required

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to be disclosed in the Registration Statement and the Final Prospectus.

(l) The certificates delivered pursuant to paragraph (f) of Section 6 hereof and all other documents delivered by the Company or its representatives in connection with the issuance and sale of the Securities were on the dates on which they were delivered, or will be on the dates on which they are to be delivered, in all material respects true and complete.

2. Sale and Purchase of the Securities. The Company agrees to sell to each Underwriter, and each Underwriter, on the basis of the representations, warranties and agreements herein contained, but subject to the terms and conditions herein stated, agrees to purchase from the Company, at the purchase price set forth in Schedule I hereto, the principal amount of Securities set forth opposite the name of such Underwriter in Schedule II hereto, except that, if Schedule I hereto provides for the sale of Securities pursuant to delayed delivery arrangements, the respective principal amounts of Securities to be purchased by the Underwriters shall be as set forth in Schedule II hereto, less the respective amounts of Contract Securities determined as provided below. Securities to be purchased by the Underwriters are herein sometimes called the "Underwriters' Securities" and Securities to be purchased pursuant to Delayed Delivery Contracts (as hereinafter defined) are herein called "Contract Securities". The obligations of the Underwriters under this Agreement are several and not joint.

If so provided in Schedule I hereto, the Underwriters are authorized to solicit offers to purchase Securities, or a portion thereof, from the Company pursuant to delayed delivery contracts ("Delayed Delivery Contracts"), substantially in the form of Schedule III hereto but with such changes therein as the Company may authorize or approve, and the Underwriters will endeavor to make such arrangements. Delayed Delivery Contracts are to be with institutional investors, including commercial and savings banks, insurance companies, pension funds and educational and charitable institutions. The Company will make Delayed Delivery Contracts in all cases where sales of Contract Securities arranged by the Underwriters have been approved by the Company but, except as the Company may otherwise agree, each such Delayed Delivery Contract must be for not less than the minimum principal amount set forth in Schedule I hereto and the total principal amount of Contract Securities may not exceed the maximum principal amount set forth in Schedule I

hereto. The Underwriters will not have any responsibility in respect of the validity or performance of Delayed Delivery Contracts. The principal amount of Securities to be purchased by each Underwriter as set forth in Schedule II hereto shall be reduced by an amount which bears the same proportion to the total principal amount of Contract Securities as the principal amount of Securities set forth opposite the name of such Underwriter

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bears to the total principal amount of Securities set forth in Schedule II hereto, except to the extent that the Representatives determine that such reduction shall be otherwise than in such proportion and so advise the Company in writing; provided, however, that the total principal amount of Securities to be purchased by all Underwriters shall be the total principal amount set forth in Schedule II hereto less the total principal amount of Contract Securities.

3. Delivery and Payment. Delivery by the Company of the Underwriters' Securities to the Representatives for the respective accounts of the several Underwriters and payment by the Underwriters therefor by certified or official bank check or checks payable in, or by wire transfer of, immediately available (federal) funds to or upon the order of the Company shall take place at the office, on the date and at the time specified in Schedule I hereto, which date and time may be postponed by agreement between the Representatives and the Company or as provided in Section 9 hereof (such date and time of delivery and payment for the Underwriters' Securities being herein called the "Closing Date").

Concurrently with the delivery of any payment for Underwriters' Securities as provided in this Section 3, the Company will deliver to the Representatives for the respective accounts of the several Underwriters a check in an amount equal to the fee set forth in Schedule I hereto with respect to the principal amount of Securities for which Delayed Delivery Contracts are made.

The Underwriters' Securities will be registered in such names and in such authorized denominations as the Representatives may request no less than two full business days in advance of the Closing Date. The Company agrees to have the Underwriters' Securities available for inspection, checking and packaging by the Representatives at such place as is designated by the Representatives, not later than 1:00 p.m., New York City time, on the business day prior to the Closing Date.

4. Offering by Underwriters. The Company hereby confirms that the Underwriters and dealers have been authorized to distribute or cause to be distributed any Interim Prospectus and are authorized to distribute the Final Prospectus (as from time to time amended or supplemented if the Company furnishes amendments or supplements thereto to the Underwriters). The Representatives agree that, as soon as the Representatives believe the offering of the Securities has been terminated, the Representatives will so advise the Company.

5. Agreements. The Company agrees with the several Underwriters that:

(a) The Company will cause the Final Prospectus to be filed with the Commission pursuant to Rule 424 as required

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thereby and will promptly advise the Representatives (A) when the Final Prospectus shall have been filed with the Commission pursuant to Rule 424, (B) when any amendment to the Registration Statement relating to the Securities shall have become effective, (C) of any request by the Commission for any amendment of the Registration Statement, the Final Prospectus, the Basic Prospectus or any Interim Prospectus, or for any additional information, (D) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the qualification of the Indenture or the institution or threatening of any proceedings for that purpose and (E) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose. After the date of this Agreement and prior to the termination of the offering of these Securities the Company will not file any amendment of the Registration Statement or amendment or supplement to the Final Prospectus (except an amendment or supplement to the Final Prospectus that is deemed to be incorporated by reference in the Final Prospectus pursuant to Item 12 of Form S-3) without the consent of the Representatives and will use its best efforts to prevent the issuance of any such stop order and, if issued, to obtain as soon as possible the withdrawal thereof. Prior to receipt of the advice to be given by the Representatives pursuant to Section 4, the Company will not file any document that would be deemed to be incorporated by reference in the Final Prospectus pursuant to Item 12 of Form S-3 without delivering to the Representatives a copy of the document proposed to be so filed, such delivery to be made at least twenty-four hours prior to such filing, and the Company will consult with the Representatives as to any comments which the Representatives make in a timely manner with respect to the document so delivered.

(b) Subject to the last sentence of the immediately preceding paragraph, if, at any time when a prospectus relating to the Securities is required to be delivered under the Securities Act, any event occurs as a result of which the Final Prospectus as then amended or supplemented would include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or if it shall be necessary at any time to amend or supplement the Final Prospectus to comply with the Securities Act or the Rules, the Company promptly will prepare and file with the Commission an amendment or supplement which will correct such statement or omission or an amendment which will effect such compliance and will use its best efforts to cause any amendment of the Registration Statement containing an

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amended Final Prospectus to be made effective as soon as possible.

(c) The Company will deliver to the Representatives, without charge, (i) signed copies of the Registration Statement relating to the Securities and of any amendments thereto (including all exhibits filed with, or incorporated by reference in, any such document) and (ii) as many conformed copies of the Registration Statement and of any amendments

thereto which shall become effective on or before the Closing Date (excluding exhibits) as the Representatives may reasonably request.

(d) During such period as a prospectus is required by law to be delivered by an Underwriter or dealer, the Company will deliver, without charge to the Representatives and to Underwriters and dealers, at such office or offices as the Representatives may designate, as many copies of the Basic Prospectus, any Interim Prospectus and the Final Prospectus as the Representatives may reasonably request.

(e) The Company will make generally available to its security holders and to the Representatives as soon as practicable an earnings statement (which need not be audited) of the Company and its subsidiaries, covering a period of at least 12 months beginning after the date the Final Prospectus is filed with the Commission pursuant to Rule 424, which will satisfy the provisions of Section 11(a) of the Securities Act.

(f) The Company will furnish such information, execute such instruments and take such actions as may be required to qualify the Securities for offering and sale under the laws of such jurisdictions as the Representatives may designate and will maintain such qualifications in effect so long as required for the distribution of the Securities; provided, however, that the Company shall not be required to qualify to do business in any jurisdiction where it is not now so qualified or to take any action which would subject it to general or unlimited service of process in any jurisdiction where it is not now so subject.

(g) So long as any Securities are outstanding, the Company will furnish or cause to be furnished to the Representatives copies of all annual reports and current reports filed with the Commission on Forms 10-K, 10-Q and 8-K, or such other similar forms as may be designated by the Commission.

(h) If the Company has applied for the listing of the Securities on the New York Stock Exchange Inc. (the "NYSE"), it will use its best efforts to cause such listing to be approved as soon as possible.

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(i) For a period beginning at the time of execution of this Agreement and ending on the later of the business day following the Closing Date or following the date on which any price restrictions on the sale of the Securities are terminated, without the prior consent of the Representatives, the Company will not offer, sell, contract to sell or otherwise dispose of any debt securities of the Company covered by the Registration Statement or any other registration statement filed under the Securities Act.

(j) The Company will use its best efforts to do and perform all things to be done and performed hereunder prior to the Closing Date and to satisfy all conditions precedent to the delivery of the Securities to be purchased hereunder.

6. Conditions to the Obligations of the Underwriters. The obligations of the Underwriters to purchase the Securities shall be subject to the accuracy in all material respects of the representations and warranties on

the part of the Company contained herein as of the date hereof and the Closing Date, to the accuracy of any material statements made in any certificates, opinions, affidavits, written statements or letters furnished to the Representatives or to Messrs. Simpson Thacher & Bartlett ("Underwriters' Counsel") pursuant to this Section 6, to the performance by the Company of its respective obligations hereunder and to the following additional conditions:

(a) The Final Prospectus shall have been filed with the Commission pursuant to Rule 424 not later than 5:00 p.m., New York City time, on the second business day following the date of this Agreement or such later date and time as shall be consented to in writing by the Representatives.

(b) No order suspending the effectiveness of the Registration Statement, as amended from time to time, or suspending the qualification of the Indenture, shall be in effect and no proceedings for such purpose shall be pending before or threatened by the Commission and any requests for additional information on the part of the Commission (to be included in the Registration Statement or the Final Prospectus or otherwise) shall have been complied with to the reasonable satisfaction of the Representatives.

(c) Since the respective dates as of which information is given in the Registration Statement and the Final Prospectus, there shall not have been any change or decrease specified in the letter or letters referred to in paragraphs (g) or (h) of this Section 6 which, in the judgment of the Representatives, makes it impracticable or inadvisable to proceed with the offering and delivery of the Securities as contemplated by the Registration Statement and the Final Prospectus.

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(d) The Company shall have furnished to the Representatives the opinion of the General Counsel for the Company, dated the day of the Closing Date, to the effect that:

(i) The Company has been duly organized and is validly existing and in good standing under the laws of the jurisdiction of its incorporation with all requisite corporate power and authority to own and operate its properties and to conduct its business as described in the Final Prospectus.

(ii) The Securities and the Indenture conform in all material respects to the descriptions thereof contained in the Final Prospectus.

(iii) The Indenture has been duly authorized, executed and delivered by the Company, has been duly qualified under the Trust Indenture Act, and constitutes a legal, valid and binding instrument enforceable against the Company in accordance with its terms and the Securities have been duly authorized, executed, authenticated, issued and delivered and constitute legal, valid and binding obligations of the Company entitled to the benefits of the Indenture; in each case subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a

proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(iv) No consent, approval, authorization or order of any court or governmental agency or body is required for the consummation of the transactions contemplated in this Agreement, except for (1) such consents, approvals, authorizations or orders as have been obtained under the Securities Act and such as may be required under the Exchange Act and the blue sky laws of any jurisdiction in connection with the purchase and distribution of the Securities by the Underwriters, and (2) the qualification of the Indenture under the Trust Indenture Act which has been obtained.

(v) Such counsel does not know of any contracts or other documents which are required to be filed as exhibits to the Registration Statement by the Securities Act or by the Rules which have not been filed as exhibits to the Registration Statement or incorporated therein by reference as permitted by the Rules.

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(vi) To the best of such counsel's knowledge, neither the Company nor any of the Named Subsidiaries is in violation of its corporate charter or by-laws, or in default under any material agreement, indenture or instrument known to such counsel, the effect of which would be material to the Company and its subsidiaries taken as a whole.

(vii) This Agreement and, to the extent applicable, the Delayed Delivery Contracts have been duly authorized, executed and delivered by the Company; the execution, delivery and performance of this Agreement and any Delayed Delivery Contracts by the Company will not conflict with, or result in the creation or imposition of any material lien, charge or encumbrance upon any of the assets of the Company or any of the Named Subsidiaries pursuant to the terms of, or constitute a default under, any material agreement, indenture or instrument known to such counsel and to which the Company or any of the Named Subsidiaries is a party or bound, or result in a violation of the corporate charter or by-laws of the Company or any of the Named Subsidiaries or any order, rule or regulation known to such counsel of any court or governmental agency having jurisdiction over the Company, any of the Named Subsidiaries or any of their respective properties, the effect of which would be material to the Company and its subsidiaries taken as a whole.

(viii) The Registration Statement has become effective under the Securities Act, and, to the best of the knowledge of such counsel, no stop order suspending the effectiveness of the Registration Statement has been issued and no proceeding for that purpose is pending or threatened by the Commission.

(ix) The Registration Statement, the Final Prospectus and each amendment thereof or supplement thereto (except that no opinion need be expressed as to the financial statements or other financial or statistical data or the Form T-1 included or incorporated by reference therein) comply as to form in all material respects with

the requirements of the Securities Act and the Rules.

(x) If the Securities are to be listed on the NYSE, authorization therefor has been given, subject to official notice of issuance and evidence of satisfactory distribution, or the Company has filed a preliminary listing application and all required supporting documents with respect to the Securities with the NYSE, and such counsel has no reason to believe that the Securities will not be authorized for

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listing, subject to official notice of issuance and evidence of satisfactory distribution.

(xi) Each of the Named Subsidiaries of the Company is a duly organized and validly existing corporation in good standing under the laws of the jurisdiction of its incorporation with all requisite corporate power and authority to own and operate its properties and to conduct its business as described in the Final Prospectus. Each of the Company and its Named Subsidiaries is duly qualified to do business as a foreign corporation, is in good standing and is duly registered as a broker-dealer, broker, dealer or investment advisor, as the case may be, in each jurisdiction in which the nature of the business conducted by it or in which the ownership or holding by lease of the properties owned or held by it require such qualification or registration and where the failure to so qualify or register would have a material adverse effect on the Company and its subsidiaries taken as a whole.

(xii) All the outstanding shares of capital stock of each of the Company's Named Subsidiaries have been duly and validly authorized and issued and are fully paid and non-assessable and, except for directors' qualifying shares, are owned by the Company or a subsidiary of the Company free and clear of any claims, liens, encumbrances and security interests.

(xiii) Such counsel does not know of any litigation or any governmental proceeding pending or threatened against the Company or any of its subsidiaries which would affect the subject matter of this Agreement or is required to be disclosed in the Final Prospectus which is not disclosed and correctly summarized therein.

Such opinion shall also contain a statement that although such counsel is not passing upon and does not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement and the Final Prospectus (except as to those matters stated in paragraph (ii) of this opinion), such counsel has no reason to believe that (i) the Registration Statement, as of its effective date, contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading or (ii) the Final Prospectus contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading (except that no opinion need be expressed as to the financial statements or other financial or

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statistical data or the Form T-1 included or incorporated by reference therein).

In rendering such opinion, such General Counsel may rely upon opinions of local counsel satisfactory to the Representatives for matters not governed by New York law and may rely as to matters of fact, to the extent he deems proper, upon certificates or affidavits of officers of the Company. Such counsel may rely on a certificate of the Trustee with respect to the execution of the Securities by the Company and the authentication thereof by the Trustee.

(e) The Representatives shall have received from Underwriters' Counsel such opinion or opinions, dated the day of the Closing Date, with respect to the issuance and sale of the Securities, the Registration Statement, the Final Prospectus and other related matters as the Representatives may reasonably require, and the Company shall have furnished to such counsel such documents as they request for the purpose of enabling them to pass upon such matters.

(f) The Company shall have furnished to the Representatives a certificate of its Chief Executive Officer, its President or any Executive Vice President and its Chief Financial Officer or its Treasurer, dated the day of the Closing Date, to the effect that the signers of such certificate have carefully examined the Registration Statement, the Final Prospectus and this Agreement, and that:

(i) The representations and warranties of the Company in this Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date, and the Company has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to the Closing Date.

(ii) To the best of their knowledge after due inquiry, no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or threatened.

(iii) In their opinion, (x) the Registration Statement does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, (y) the Final Prospectus does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, and (z) since the effective date of the Registration Statement

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there has not occurred any event required to be set forth in an amended or supplemented prospectus which has not been so set forth.

(g) At the time this Agreement is executed, a nationally recognized

firm of independent public accountants shall have furnished to the Representatives a letter, dated the date of this Agreement, in form and substance satisfactory to the Representatives, confirming that they are independent accountants within the meaning of the Securities Act and the Rules and stating in effect that:

(i) In their opinion, the audited consolidated financial statements of the Company and its subsidiaries, and the supporting schedules, included in the Registration Statement and the Final Prospectus and audited by them comply as to form in all material respects with the applicable accounting requirements of the Securities Act and the Exchange Act and the published rules and regulations of the Commission thereunder.

(ii) On the basis of a reading of the unaudited consolidated financial statements of the Company and its subsidiaries, if any, included in the Registration Statement and the Final Prospectus, carrying out certain specified procedures (but not an audit in accordance with generally accepted auditing standards), a reading of the minutes of the meetings of the directors of the Company and inquiries of certain officials of the Company and its subsidiaries who have responsibility for financial and accounting matters of the Company and its subsidiaries, as to transactions and events subsequent to the date of the most recent audited consolidated financial statements included in the Registration Statement and the Final Prospectus, nothing came to their attention which caused them to believe that any material modifications should be made to the unaudited consolidated financial statements of the Company and its subsidiaries, if any, included in the Registration Statement and the Final Prospectus for them to be in conformity with generally accepted accounting principles; and such financial statements do not comply as to form in all material respects with the applicable accounting requirements of the Securities Act and the published instructions, rules and regulations thereunder.

(iii) If pro forma financial statements are included in the Registration Statement or the Final Prospectus, (x) they have read such pro forma financial statements, (y) they have made inquiries of certain officials of the Company, who have responsibility for financial and accounting matters of the Company, as to

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their basis for the pro forma adjustments and whether such pro forma financial statements comply in form in all material respects with the applicable accounting requirements of Commission Rule 11-02 and (z) they have proved the arithmetic accuracy of the application of the pro forma adjustments to historical amounts; and as a result thereof, nothing came to their attention which caused them to believe that such pro forma financial statements do not so comply with Commission Rule 11-02 and that such pro forma adjustments have not been properly applied to the historical amounts in the compilation of those statements.

(iv) They have performed certain other specified procedures as a result of which they determined that certain information of an

accounting, financial or statistical nature (which is expressed in dollars, or percentages derived from dollar amounts, and has been obtained from the general accounting records of the Company) set forth in the Registration Statement, as amended, and the Final Prospectus, as amended or supplemented, and in Exhibit 12 to the Registration Statement, including specified information, if any, included or incorporated from the Company's Annual Report on Form 10- K incorporated therein or specified information, if any, included or incorporated from any of the Company's Quarterly Reports on Form 10-Q or its Current Reports on Form 8-K incorporated therein, agrees with the accounting records of the Company and its subsidiaries or computations made therefrom, excluding any questions of legal interpretation.

The letter required by this paragraph (g) may refer to a prior letter of such nationally recognized firm of independent public accountants, addressed to the Company, covering the above items (a "Prior Letter"). For the purposes of the letter required by this paragraph (g), such nationally recognized firm of independent public accountants need not perform any procedures subsequent to the date of the Prior Letter.

(h) At the Closing Date, the nationally recognized firm of independent public accountants referred to in paragraph (g) of this Section 6 shall have furnished to the Representatives a letter, dated the day of the Closing Date, in form and substance satisfactory to the Representatives, which reconfirms the matters set forth in their letter delivered pursuant to paragraph (g) of this Section 6 and states in effect that:

(i) In their opinion, any audited consolidated financial statements of the Company and its subsidiaries, and the supporting schedules, included in the Registration Statement and the Final Prospectus and audited by them and not covered by their letter delivered pursuant to paragraph (g) of this Section 6

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comply as to form in all material respects with the applicable accounting requirements of the Securities Act and the Exchange Act and the published rules and regulations of the Commission thereunder.

(ii) On the basis of a reading of the unaudited consolidated financial statements of the Company and its subsidiaries, if any, included in the Registration Statement and the Final Prospectus and of the latest unaudited consolidated financial statements made available by the Company, carrying out certain specified procedures (but not an audit in accordance with generally accepted auditing standards), a reading of the minutes of the meetings of the directors of the Company, and inquiries of certain officials of the Company and its subsidiaries, who have responsibility for financial and accounting matters of the Company and its subsidiaries, as to transactions and events subsequent to the date of the most recent audited consolidated financial statements included in the Registration Statement and the Final Prospectus, nothing came to their attention which caused them to believe that:

(A) any material modifications should be made to the unaudited consolidated financial statements of the Company and its subsidiaries, if any, included in the Registration Statement and the Final Prospectus and not covered by their letter delivered pursuant to paragraph (g) of this Section 6, for them to be in conformity with generally accepted accounting principles; and such financial statements do not comply as to form in all material respects with the applicable accounting requirements of the Securities Act and the published instructions, rules and regulations thereunder.

(B) the unaudited capsule information of the Company and its subsidiaries, if any, included in the Registration Statement and the Final Prospectus does not agree with the amounts set forth in the unaudited consolidated financial statements of the Company from which it was derived or was not determined on a basis substantially consistent with that of the corresponding financial information in the latest audited financial statements of the Company included in the Registration Statement and the Final Prospectus.

(C) (I) as of the latest date as of which the Company and its subsidiaries have monthly financial statements, there were any changes in

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the capital stock, additional paid-in capital or long-term indebtedness of the Company and its subsidiaries, or any decreases in retained earnings, as compared with the amounts shown on the most recent consolidated statement of financial condition of the Company and its subsidiaries included in the Registration Statement and the Final Prospectus, (II) with respect to the period subsequent to the date of the most recent financial statements included in the Registration Statement and the Final Prospectus and extending through the latest date as of which the Company and its subsidiaries have monthly financial statements, there was a consolidated net loss or (III) with respect to the amounts of net capital or excess net capital of the Company determined pursuant to Commission Rule 15c3-1 and shown on the most recent financial statement of the Company filed pursuant to Commission Rule 17a-5, there has been any decrease in such amounts as compared with the amounts shown on the most recent consolidated financial statements included in the Registration Statement and the Final Prospectus;

(D) as of a specified date not more than five business days prior to the date of the letter, (I) there were any changes in the capital stock, additional paid-in capital or long-term indebtedness of the Company and its subsidiaries as compared with the amounts shown on the most recent consolidated statement of financial condition of the Company and its subsidiaries included in the Registration Statement and the Final Prospectus or (II) there was any decrease in net capital or excess net capital of the Company determined pursuant to Commission Rule 15c3-1, as compared with the amounts shown on

the most recent financial statement of the Company filed pursuant to Commission Rule 17a-5, such that the Company did not satisfy the requirements of Section 5 of Schedule E to Article III of the By-Laws of the National Association of Securities Dealers which permit releases of proceeds from escrow;

except in all instances for changes or decreases set forth in such letter, in which case the letter shall be accompanied by an explanation by the Company as to the significance thereof, unless said explanation is not deemed necessary by the Representatives.

(iii) If pro forma financial statements are included in the Registration Statement or the Final Prospectus and are not covered by their letter

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delivered pursuant to paragraph (g) of this Section 6, (x) they have read such pro forma financial statements, (y) they have made inquiries of certain officials of the Company, who have responsibility for financial and accounting matters of the Company, as to their basis for the pro forma adjustments and whether such pro forma financial statements comply in form in all material respects with the applicable accounting requirements of Commission Rule 11-02 and (z) they have proved the arithmetic accuracy of the application of the pro forma adjustments to historical amounts; and as a result thereof, nothing came to their attention which caused them to believe that such pro forma financial statements do not so comply with Commission Rule 11-02 and that such pro forma adjustments have not been properly applied to the historical amounts in the compilation of those statements.

(iv) To the extent not covered by their letter delivered pursuant to paragraph (g) of this Section 6, they have performed certain other specified procedures as a result of which they determined that certain information of an accounting, financial or statistical nature (which is expressed in dollars, or percentages derived from dollar amounts, and has been obtained from the general accounting records of the Company) set forth in the Registration Statement, as amended, and the Final Prospectus, as amended or supplemented, and in Exhibit 12 to the Registration Statement, including specified information, if any, included or incorporated from the Company's Annual Report on Form 10-K incorporated therein or specified information, if any, included or incorporated from any of the Company's Quarterly Reports on Form 10-Q or its Current Reports on Form 8-K incorporated therein, agrees with the accounting records of the Company and its subsidiaries or computations made therefrom, excluding any questions of legal interpretation.

(i) So long as historical financial information with respect to any entity acquired by the Company is required to be included in the Registration Statement or the Final Prospectus, at the Closing Date, a nationally recognized firm of independent public accountants shall have furnished to the Representatives a letter, dated the day of the Closing Date, in form and substance satisfactory to the Representatives, confirming that they are, or

were as of a stated time, independent public accountants within the meaning of the Securities Act and the Rules and stating in effect that:

(i) in their opinion the audited consolidated financial statements of such entity acquired by the Company, and the supporting schedules, included in the Registration Statement and Final Prospectus and

examined by them, comply as to form in all material respects with the applicable accounting requirements of the Securities Act and the related published rules and regulations of the Commission thereunder; and

(ii) they have performed certain other specified procedures as a result of which they determined that certain historical financial information relating to such entity acquired by the Company as required to be reported pursuant to rules and regulations promulgated under the Exchange Act agree with the accounting records of such entity acquired by the Company or computations made therefrom, excluding any questions of legal interpretation.

(j) Subsequent to the execution of this Agreement, there shall not have been any decrease in the ratings of any of the Company's debt securities by Moody's Investors Service, Inc. or Standard & Poor's Corporation.

(k) The Company shall have accepted Delayed Delivery Contracts in any case where sales of Contract Securities arranged by the Underwriters have been approved by the Company.

(l) Prior to the Closing Date, the Company shall have furnished to the Representatives such further information, certificates and documents as the Representatives or Underwriters' Counsel may reasonably request.

If any of the conditions specified in this Section 6 shall not have been fulfilled when and as required by this Agreement, or if any of the certificates or opinions furnished to the Representatives or Underwriters' Counsel pursuant to this Section 6 shall not be in all material respects reasonably satisfactory in form and substance to the Representatives and to Underwriters' Counsel, this Agreement and all obligations of the Underwriters hereunder may be cancelled at, or at any time prior to, the Closing Date by the Representatives. Notice of such cancellation shall be given to the Company in writing, or by telegraph confirmed in writing.

7. Expenses. (a) Whether or not the transactions contemplated in this Agreement are consummated or this Agreement is terminated, the Company will pay all costs and expenses incident to the performance of the obligations of the Company hereunder, including, without limiting the generality of the foregoing, all costs, taxes and expenses incident to the issuance, sale and delivery of the Securities to the Underwriters, all fees and expenses of the Company's counsel and accountants, all costs and expenses incident to the preparing, printing and filing of the Registration Statement (including all exhibits thereto), any Interim Prospectus, the Basic Prospectus, the Final Prospectus and any amendments thereof or supplements thereto and the Indenture, and the rating of the Securities by

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one or more rating agencies, all costs and expenses (including fees of Underwriters' Counsel and their disbursements) incurred in connection with blue sky qualifications, advising on the legality of the Securities for investment, the filing requirements, if any, of the National Association of Securities Dealers, Inc. in connection with its review of corporate financings, the fee for listing the Securities on the NYSE, the fees and expenses of the Trustee and all costs and expenses of the printing and distribution of all documents in connection with such offering. Except as provided in this Section 7, the Company will have no responsibility to the Underwriters for the Underwriters' own costs and expenses, including the fees of Underwriters' Counsel and any advertising expenses in connection with any offer the Underwriters may make.

(b) If the sale of the Securities provided for herein is not consummated because any condition to the obligations of the Underwriters set forth in Section 6 hereof is not satisfied or because of any refusal, inability or failure on the part of the Company to perform any agreement herein or comply with any provision hereof, the Company will, subject to demand by the Representatives, reimburse the Underwriters for all out-of-pocket expenses (including reasonable fees and disbursements of counsel) that shall have been incurred by them in connection with the proposed purchase and sale of the Securities.

8. Indemnification. (a) The Company agrees to indemnify and hold harmless each Underwriter and each person who controls such Underwriter within the meaning of the Securities Act against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the Securities Act, the Exchange Act or other federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, as originally filed or in any amendment thereof, or in any Interim Prospectus, the Basic Prospectus or the Final Prospectus, or in any amendment thereof or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and agrees to reimburse each such indemnified party for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that (i) the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon any such untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon and in conformity with written information furnished to the Company as herein stated by the Representatives on behalf of any Underwriter specifically for use in connection with the preparation thereof, and (ii) such

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indemnity with respect to the Basic Prospectus or any Interim Prospectus shall not inure to the benefit of any Underwriter (or any person controlling such Underwriter) from whom the person asserting any such loss, claim, damage or liability purchased the Securities which are the subject thereof if such person did not receive a copy of the Final Prospectus at or prior to the confirmation

of the sale of such Securities to such person in any case where such delivery is required by the Securities Act and the untrue statement or omission of a material fact contained in the Basic Prospectus or any Interim Prospectus was corrected in the Final Prospectus, unless such failure to deliver the Final Prospectus was a result of noncompliance by the Company with Section 5(d) hereof. This indemnity agreement will be in addition to any liability which the Company may otherwise have.

(b) Each Underwriter severally agrees to indemnify and hold harmless the Company, each of its directors, each of its officers who signs the Registration Statement, and each person, if any, who controls the Company within the meaning of the Securities Act against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the Securities Act, the Exchange Act or other federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, the Basic Prospectus, any Interim Prospectus or the Final Prospectus, or in any amendment thereof or supplement thereto, or arise out of or are based upon the omission or the alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that the same was made therein in reliance upon and in conformity with written information furnished to the Company as herein stated by the Representatives on behalf of such Underwriter specifically for use in the preparation thereof, and agrees to reimburse each such indemnified party for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action. This indemnity agreement will be in addition to any liability which any Underwriter may otherwise have. The statements set forth in the last paragraph of the cover page and under the heading "Underwriting" in the Final Prospectus constitute the only information furnished in writing by or on behalf of the several Underwriters for inclusion in the Registration Statement and the Final Prospectus, as the case may be, and you, as the Representatives, confirm that such statements are correct.

(c) Promptly after receipt by an indemnified party under this Section 8 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 8, notify the indemnifying party in writing of the commencement

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thereof; but the omission so to notify the indemnifying party will not relieve it from any liability which it may have to any indemnified party otherwise than under this Section 8. In case any such action is brought against any indemnified party, and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein, and to the extent that it may elect by written notice delivered to the indemnified party promptly after receiving the aforesaid notice from such indemnified party, to assume the defense thereof, with counsel satisfactory to such indemnified party; provided, however, if the defendants in any such action include both the indemnified party and the indemnifying party and either (i) the indemnifying party or parties and the indemnified party or parties mutually agree or (ii) representation of both the indemnifying party or parties and the

indemnified party or parties by the same counsel is inappropriate under applicable standards of professional conduct due to actual or potential differing interests between them, the indemnified party or parties shall have the right to select separate counsel to assume such legal defenses and to otherwise participate in the defense of such action on behalf of such indemnified party or parties. Upon receipt of notice from the indemnifying party to such indemnified party of its election so to assume the defense of such action and approval by the indemnified party of counsel, the indemnifying party will not be liable to such indemnified party under this Section 8 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof unless (i) the indemnified party shall have employed counsel in connection with the assumption of legal defenses in accordance with the proviso to the next preceding sentence (it being understood, however, that the indemnifying party shall not be liable for the expenses of more than one separate counsel, approved by the Representatives in the case of subparagraph (a) representing the indemnified parties under subparagraph (a), as the case may be, who are parties to such action), (ii) the indemnifying party shall not have employed counsel satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of commencement of the action or (iii) the indemnifying party has authorized the employment of counsel for the indemnified party at the expense of the indemnifying party.

(d) In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in subparagraph (a) of this Section 8 is due in accordance with its terms but is for any reason held by a court to be unavailable from the Company on grounds of policy or other similar grounds, the Company and the Underwriters shall contribute to the aggregate losses, claims, damages and liabilities (including legal or other expenses reasonably incurred in connection with investigating or defending same) to which the Company and one or more of the Underwriters may be subject in such proportion so that the Underwriters are responsible for that portion represented by the percentage that

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the underwriting discounts appearing on the cover page of the Final Prospectus bear to the public offering prices appearing thereon and the Company is responsible for the balance; provided, however, that (i) in no case shall any Underwriter (except as may be provided in any agreement among underwriters) be responsible for any amount in excess of the underwriting discounts applicable to the Securities purchased by such Underwriter hereunder and (ii) no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 8, each person who controls an Underwriter within the meaning of the Securities Act shall have the same rights to contribution as such Underwriter, and each person who controls the Company within the meaning of either the Securities Act or the Exchange Act, each officer of the Company who shall have signed the Registration Statement and each director of the Company shall have the same rights to contribution as the Company, subject in each case to clauses (i) and (ii) of this subparagraph (d). Any party entitled to contribution will, promptly after receipt of notice of commencement of any action, suit or proceeding against such party in respect of which a claim for contribution may be made against another party or parties under this subparagraph (d), notify such party or parties from whom contribution may be sought, but the omission to

so notify such party or parties shall not relieve the party or parties from whom contribution may be sought from any other obligation it or they may have hereunder or otherwise than under this subparagraph (d).

9. Default by an Underwriter. If any one or more Underwriters shall fail to purchase and pay for all of the Securities agreed to be purchased by such Underwriter or Underwriters hereunder and such failure to purchase shall constitute a default in the performance of its or their obligations under this Agreement, the remaining Underwriters shall be obligated severally to take up and pay for (in the respective proportions which the principal amount of Securities set forth opposite their names in Schedule II hereto bear to the aggregate principal amount of Securities set opposite the names of the remaining Underwriters) the Securities which the defaulting Underwriter or Underwriters agreed but failed to purchase; provided, however, that in the event that the aggregate principal amount of Securities which the defaulting Underwriter or Underwriters agreed but failed to purchase shall exceed 10% of the aggregate principal amount of the Securities, the remaining Underwriters shall have the right to purchase all, but shall not be under any obligation to purchase any, of the Securities, and if such non-defaulting Underwriters do not purchase all the Securities, this Agreement will terminate without liability to any non-defaulting Underwriters or the Company. In the event of a default by any Underwriter as set forth in this Section 9, the Closing Date shall be postponed for such period, not exceeding seven days, as the Representatives shall determine in order that the required changes in the Registration Statement and the Final

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Prospectus or in any other documents or arrangements may be effected. Nothing herein contained shall relieve any defaulting Underwriter of its liability, if any, to the Company and any non-defaulting Underwriter for damages occasioned by its default hereunder.

10. Termination. This Agreement shall be subject to termination in the absolute discretion of the Representatives, by notice given to the Company at or prior to delivery of and payment for all the Securities, if, prior to such time (i) trading in securities generally on the NYSE or the over-the-counter market shall have been suspended or limited or minimum prices shall have been established on the NYSE or the over-the-counter market, (ii) a banking moratorium shall have been declared either by federal or New York State authorities, (iii) any new restriction materially affecting the distribution of the Securities shall have become effective; trading in any securities of the Company shall have been suspended or halted by any national securities exchange, the National Association of Securities Dealers, Inc. or the Commission, (iv) the United States becomes engaged in hostilities or there is an escalation in hostilities involving the United States or there is a declaration of a national emergency or war by the United States, or (v) there shall have been such a material adverse change in national or international political, financial or economic conditions, national or international equity markets or currency exchange rates or controls as to make it, in the judgment of the Representatives, inadvisable or impracticable to proceed with the payment for and delivery of the Securities.

11. Representations and Indemnities to Survive Delivery. The respective agreements, representations, warranties, indemnities and other statements of the Company or its officers (as such officers) and of the

Underwriters set forth in or made pursuant to this Agreement will remain in full force and effect regardless of any investigation made by or on behalf of any Underwriter or the Company or any of its officers or directors or any controlling person within the meaning of the Securities Act, and will survive delivery of the payment for the Securities.

12. Notices. All communications hereunder will be in writing, and, if sent to the Representatives will be mailed, delivered, telegraphed or telexed and confirmed to them, at the address specified in Schedule I hereto; or, if sent to the Company will be mailed, delivered, telegraphed or telexed and confirmed to it at 388 Greenwich Street, 25th Floor, New York, New York 10013, Attention: Treasurer.

13. Successors. This Agreement will inure to the benefit of and be binding upon the parties hereto and their successors and, to the extent and only to the extent stated in Section 8 hereof, the officers and directors and controlling persons referred to in Section 8 hereof, and except as provided

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in Section 8 hereof, no person other than the parties hereto and their respective successors will have any right or obligation hereunder.

14. Applicable Law. This Agreement will be governed by and construed in accordance with the laws of the State of New York.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to us the enclosed duplicate hereof, whereupon this letter and your acceptance shall represent a binding agreement among the Company and the several Underwriters.

Very truly yours,

LEHMAN BROTHERS INC.

By

Title:

The foregoing Agreement is hereby confirmed
and accepted as of the date first above written.

LEHMAN BROTHERS INC.

By

Title:

Acting on behalf of the Representatives named
in Schedule I annexed hereto and the several
Underwriters named in Schedule II annexed hereto.

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SCHEDULE I

Date of Underwriting Agreement:

Registration Statement No. 33-_____

Representative(s) and Address(es): Lehman Brothers Inc.
Three World Financial Center
New York, New York 10285

Indenture, Title, Purchase Price and Description of Securities:

Indenture: Indenture dated as of June 14, 1989, as supplemented, with Continental Bank, National Association, as trustee
Title:
Principal amount:
Price to public:
Purchase price:
Interest rate:
Time of payment of interest:
Maturity:
Sinking fund provisions:
Redemption provisions:

Closing Date, Time and Location:
Date:
Time:
Location: Lehman Brothers Inc.
15th floor
Two World Trade Center
New York, New York 10048

Delayed Delivery Arrangements:

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SCHEDULE II

<TABLE>
<CAPTION>

UNDERWRITERS	PRINCIPAL AMOUNT OF SECURITIES TO BE PURCHASED
<S>	<C>

Lehman Brothers Inc.	$
_____.	$
_____.	$

</TABLE>

SCHEDULE III

DELAYED DELIVERY CONTRACT

, 19

[Insert name and address of lead Representative]

Dear Sirs:

The undersigned hereby agrees to purchase from Lehman Brothers Inc. (the "Company"), and the Company agrees to sell to the undersigned, on , 19 (the "Delivery Date"), $ principal amount of the Company's % due (the "Securities") offered by the Company's Prospectus dated , 19 , and related Prospectus Supplement dated , 19 , receipt of a copy of which is hereby acknowledged, at a purchase price of % of the principal amount thereof, plus accrued interest or amortization of original issue discount, if any, thereon from , 19 , to the date of payment and delivery, and on the further terms and conditions set forth in this contract.

Payment for the Securities to be purchased by the undersigned shall be made on or before 11:00 a.m., New York City time, on the Delivery Date to or upon the order of the Company in New York Clearing House (next day) funds, at your office or at such other place as shall be agreed between the Company and the undersigned upon delivery to the undersigned of the Securities in definitive fully registered form and in such authorized denominations and registered in such names as the undersigned may request by written or telegraphic communication addressed to the Company not less than five full business days prior to the Delivery Date. If no request is received, the Securities will be registered in the name of the undersigned and issued in a denomination equal to the aggregate principal amount of Securities to be purchased by the undersigned on the Delivery Date.

The obligation of the undersigned to take delivery of and make payment for Securities on the Delivery Date, and the obligation of the Company to sell and deliver Securities on the Delivery Date, shall be subject to the conditions (and neither party shall incur any liability by reason of the failure thereof) that (1) the purchase of Securities to be made by the undersigned, which purchase the undersigned represents is not prohibited on the date hereof, shall not on the Delivery Date be prohibited under the laws of the jurisdiction to which the undersigned is subject, and (2) the Company, on or before the Delivery Date, shall have sold to certain underwriters (the "Underwriters") such principal amount of the Securities as is to be sold to them pursuant to the Underwriting Agreement referred to in the Prospectus and Prospectus Supplement mentioned above. Promptly after completion of such sale to the Underwriters, the Company will mail or deliver to the undersigned at its address set forth below notice to such effect, accompanied by a copy of the

opinion of counsel for the Company delivered to the Underwriters in connection therewith. The

obligation of the undersigned to take delivery of and make payment for the Securities, and the obligation of the Company to cause the Securities to be sold and delivered, shall not be affected by the failure of any purchaser to take delivery of and make payment for the Securities pursuant to other contracts similar to this contract.

This contract will inure to the benefit of and be binding upon the parties hereto and their respective successors, but will not be assignable by either party hereto without the written consent of the other.

It is understood that acceptance of this contract and other similar contracts is in the Company's sole discretion and, without limiting the foregoing, need not be on a first come, first served basis. If this contract is acceptable to the Company, it is required that the Company sign the form of acceptance below and mail or deliver one of the counterparts hereof to the undersigned at its address set forth below. This will become a binding contract between the Company and the undersigned, as of the date first above written, when such counterpart is so mailed or delivered.

This agreement shall be governed by and construed in accordance with the laws of the State of New York.

Very truly yours,

(Name of Purchaser)

By

(Signature and Title of Officer)

(Address)

Accepted:

Lehman Brothers Inc.

By

(Authorized Signature)

SHEARSON LEHMAN HUTTON INC.

and

CONTINENTAL BANK, NATIONAL ASSOCIATION
As Trustee Under Indenture
Dated as of June 14, 1989

FIRST SUPPLEMENTAL INDENTURE
Dated as of June 21, 1989

Providing for issuance of

9 1/2% Senior Subordinated Notes Due 1997

THIS FIRST SUPPLEMENTAL INDENTURE, dated as of June 21, 1989, between Shearson Lehman Hutton Inc., a corporation duly organized and existing under the laws of the State of Delaware (hereinafter called the "Company"), having its principal office at American Express Tower, World Financial Center, New York, New York 10285, and Continental Bank, National Association, a national banking association organized and existing by virtue of the laws of the United States of America (hereinafter called the "Trustee"), Trustee under the Indenture dated as of June 14, 1989, between the Company and the Trustee (hereinafter called the "Original Indenture").

W I T N E S S E T H:

WHEREAS, the Original Indenture provides for the issuance from time to time thereunder, in series, of debt securities of the Company to provide funds for its corporate purposes; and

WHEREAS; the Company desires, by this Supplemental Indenture, to create a series of Securities to be issuable under the Original Indenture and to be known as the Company's 9 1/2% Senior Subordinated Notes Due 1997 (hereinafter called the "9 1/2% Notes"), the 9 1/2% Notes to be limited to $200,000,000 in aggregate principal amount, and the terms and provisions thereof to be as hereinafter set forth; and

WHEREAS, the form of the 9 1/2% Notes and the Trustee's certificate of authentication to be borne by the 9 1/2% Notes are to be in the general form set forth in the Original Indenture, with such insertions,

omissions and variations as the Board of Directors of the Company may determine; and

WHEREAS, all things necessary to make the 9 1/2% Notes, when executed by the Company and authenticated and delivered by the Trustee and duly issued by the Company, the valid obligations of the Company, and to make this Supplemental Indenture a valid agreement of the Company, in accordance with their and its terms, have been done.

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the 9 1/2% Notes by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of such Holders, as follows:

SECTION 1. Defined Terms. All terms used in this Supplemental Indenture which are defined in the Original Indenture have the meanings assigned to them in the Original Indenture.

SECTION 2. Designation and Terms of the 9 1/2% Notes. The series of Securities created by this Supplemental Indenture shall be known and designated as the "9 1/2% Senior Subordinated Notes Due 1997" of the Company.

The Stated Maturity of the 9 1/2% Notes shall be June 15, 1997, and they shall bear interest from June 21, 1989, or from the most recent Interest Payment Date to which interest on the 9 1/2% Notes then outstanding has been paid or duly provided for, payable semiannually (beginning December 15, 1989) on June 15 and December 15 in each year, and at Maturity, at the rate of 9 1/2% per annum until the principal amount thereof is paid or duly provided for.

Payment of principal of the 9 1/2% Notes and, unless otherwise paid as hereinafter provided, the interest thereon will be made at the office or agency of the Company in the Borough of Manhattan, City and State of New York; provided, however, that payment of interest may be made at the option of the Company by check or draft mailed to the person entitled thereto at such person's address appearing in the Security Register.

The Regular Record Date referred to in Section 301 of the Original Indenture for the payment of interest on the 9 1/2% Notes payable, and punctually paid or duly provided for, on any Interest Payment Date shall be the last day (whether or not a Business Day) of the calendar month next preceding such Interest Payment Date.

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The 9 1/2% Notes may be issued in denominations of $1,000 and any integral multiple thereof, provided that the minimum denomination of the 9 1/2% Notes shall be $100,000.

Upon the execution of this Supplemental Indenture, or from time to time thereafter, 9 1/2% Notes, in an aggregate principal amount not exceeding $200,000,000, may be executed by the Company and delivered to the Trustee for authentication, and the Trustee shall thereupon authenticate and deliver said 9 1/2% Notes to or upon a Company Order.

SECTION 3. Redemption of the 9 1/2% Notes. The 9 1/2% Notes are not subject to any sinking fund and shall not be redeemable prior to the Stated Maturity thereof, anything in Section 1202 of the Original Indenture to the contrary notwithstanding.

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TESTIMONIUM

This Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

SHEARSON LEHMAN HUTTON INC.

By /S/ Michael R. Milversted

Executive Vice President
and Treasurer

ATTEST:
/S/ Isabel C. Dempsey
- ----------
Secretary

CONTINENTAL BANK, NATIONAL
ASSOCIATION

By

Vice President

ATTEST:

- ----------
Corporate Products
Officer

TESTIMONIUM

This Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

SHEARSON LEHMAN HUTTON INC.

By

Executive Vice President
and Treasurer

ATTEST:

- ----------

Secretary

CONTINENTAL BANK, NATIONAL ASSOCIATION

By /S/ J.C. Mull, Jr.

Vice President

ATTEST:

/S/ Greg Jordan
- ---
Corporate Products
Officer

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the 21st day of June, in the year 1989, before me personally came MICHAEL MILVERSTED, to me known, who being by me duly sworn, did depose and say that he resides at 15 Hampton Lane, Stamford, Connecticut; that he is the Executive Vice President and Treasurer of Shearson Lehman Hutton Inc., one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument bearing the corporate name of said corporation is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that he signed his name thereto by like order.

/S/ Karen M. Muller

Notary Public

[Notary Seal]

STATE OF ILLINOIS)
) ss.:
COUNTY OF COOK)

On the day of June, in the year 1989, before me personally came , to me known, who being by me duly sworn, did depose and say that he resides at ; that he is a Vice President of Continental Bank, National Association, one of the corporations described in and which executed

the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument bearing the corporate name of said corporation is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation; and that he signed his name thereto by like authority.

Notary Public

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the day of June, in the year 1989, before me personally came MICHAEL MILVERSTED, to me known, who being by me duly sworn, did depose and say that he resides at 15 Hampton Lane, Stamford, Connecticut; that he is the Executive Vice President and Treasurer of Shearson Lehman Hutton Inc., one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument bearing the corporate name of said corporation is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that he signed his name thereto by like order.

Notary Public

STATE OF ILLINOIS)
) ss.:
COUNTY OF COOK)

On the 21st day of June, in the year 1989, before me personally came J. C. Mull, Jr., to me known, who being by me duly sworn, did depose and say that he resides at Duneland Beach, IN, that he is a Vice President of Continental Bank, National Association, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument bearing the corporate name of said corporation is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation; and that he signed his name thereto by like authority.

/S/ Mary Mucciante

Notary Public

[Notary Seal]

SHEARSON LEHMAN BROTHERS INC.

and

CONTINENTAL BANK, NATIONAL ASSOCIATION
As Trustee Under Indenture
Dated as of June 14, 1989

SECOND SUPPLEMENTAL INDENTURE
Dated as of October 3, 1990

Providing for issuance of

9 7/8% Senior Subordinated Notes Due 1993

THIS SECOND SUPPLEMENTAL INDENTURE, dated as of October 3, 1990, between Shearson Lehman Brothers Inc., a corporation duly organized and existing under the laws of the State of Delaware (hereinafter called the "Company"), having its principal office at American Express Tower, World Financial Center, New York, New York 10285, and Continental Bank, National Association, a national banking association organized and existing by virtue of the laws of the United States of America (hereinafter called the "Trustee"), Trustee under the Indenture dated as of June 14, 1989, between the Company and the Trustee (hereinafter called the "Original Indenture").

W I T N E S S E T H:

WHEREAS, the Original Indenture provides that the Company and the Trustee may enter into supplemental indentures without the consent of Holders for the purpose of making any other provisions with respect to matters arising therein, provided such action will not adversely affect the interests of the Holders of Securities of any series in any material respect; and

WHEREAS, the Original Indenture provides for the issuance from time to time thereunder, in series, of debt securities of the Company to provide funds for its corporate purposes; and

WHEREAS, the Company desires, by this Supplemental Indenture, to create a series of Securities to be issuable under the Original Indenture and to be known as the Company's 9 7/8% Senior Subordinated Notes Due 1993 (hereinafter called the "9 7/8% Notes"), the 9 7/8% Notes to be limited to $100,000,000 in aggregate principal amount, and the terms and provisions thereof to be as hereinafter set forth; and

WHEREAS, the form of the 9 7/8% Notes and the Trustee's certificate of authentication to be borne by the 9 7/8% Notes are to be in the general form

set forth in the Original Indenture, with such insertions, omissions and variations as the Board of Directors of the Company may determine; and

WHEREAS, all things necessary to make the 9 7/8% Notes, when executed by the Company and authenticated and delivered by the Trustee and duly issued by the Company, the valid obligations of the Company, and to make this Supplemental Indenture a valid agreement of the Company, in accordance with their

and its terms, have been done.

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE WITNESSETH:

For and in consideration of the premises, it is mutually covenanted and agreed, for the equal and proportionate benefit of the Holders, as follows:

SECTION 1. Defined Terms. All terms used in this Supplemental Indenture which are defined in the Original Indenture have the meanings assigned to them in the Original Indenture.

SECTION 2.

(a) Clause (ii) of subsection (b) of Section 702 of the Original Indenture is hereby amended by deleting the word "account" immediately preceding the parenthetical phrase "(if greater)" set forth therein and inserting therefor the following:

"account(s) and the foreign futures and foreign options secured amounts".

(b) Clause (ii) of subsection (a) of Section 1203 of the Original Indenture is hereby amended by deleting the word "account" immediately preceding the parenthetical phrase "(if greater)" set forth therein and inserting therefor the following:

"account(s) and the foreign futures and foreign options secured amounts".

SECTION 3. Designation and Terms of the 9 7/8% Notes. The series of Securities created by this Supplemental Indenture shall be known and designated as the "9 7/8% Senior Subordinated Notes Due 1993" of the Company.

The Stated Maturity of the 9 7/8% Notes shall be October 1, 1993 and they shall bear interest from October 3, 1990, or from the most recent Interest Payment Date to which interest on the 9 7/8% Notes then outstanding has been paid or duly provided for, payable semiannually (beginning April 1, 1990) on April 1 and October 1 in each year, and at Maturity, at the rate of 9 7/8% per annum until the principal amount thereof is paid or duly provided for.

Payment of principal of the 9 7/8% Notes and, unless otherwise paid

as hereinafter provided, the interest thereon will be made at the office or agency of the Company in the Borough of Manhattan, City and State of New York; provided, however, that payment of interest may be made at the option of the Company by check or draft mailed to the person entitled thereto at such person's address appearing in the Security Register.

The Regular Record Date referred to in Section 301 of the Original Indenture for the payment of interest on the 9 7/8% Notes payable, and punctually paid or duly provided for, on any Interest Payment Date shall be the fifteenth day (whether or not a Business Day) of the calendar month next preceding such Interest Payment Date.

The 9 7/8% Notes may be issued in denominations of $1,000 and any integral multiple thereof, provided that the minimum denomination of the 9 7/8% Notes shall be $100,000.

Upon execution of this Supplemental Indenture, or from time to time thereafter, 9 7/8% Notes, in an aggregate principal amount not exceeding $100,000,000, may be executed by the Company and delivered to the Trustee for authentication, and the Trustee shall thereupon authenticate and deliver said 9 7/8% Notes to or upon a Company Order.

SECTION 4. Redemption of the 9 7/8% Notes. The 9 7/8% Notes are not subject to any sinking fund and shall not be redeemable prior to the Stated Maturity thereof, anything in Section 1202 of the Original Indenture to the contrary notwithstanding.

TESTIMONIUM

This Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

SHEARSON LEHMAN BROTHERS INC.

By /s/ Michael R. Milversted

Executive Vice President
and Treasurer

ATTEST:

/s/ Maureen Boyan
- ----------
Secretary

CONTINENTAL BANK, NATIONAL ASSOCIATION

By

Vice President

ATTEST:

- ----------
Trust Officer

TESTIMONIUM

This Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

SHEARSON LEHMAN BROTHERS INC.

By

Executive Vice President
and Treasurer

ATTEST:

- ----------
Secretary

CONTINENTAL BANK, NATIONAL ASSOCIATION

By /s/ J. C. Mull, Jr.

Vice President

ATTEST:
/s/ Greg Jordan
- ---
Trust Officer

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the 3rd day of October, in the year 1990, before me personally came MICHAEL MILVERSTED, to me known, who being by me duly sworn, did depose and say that he resides at 15 Hampton Lane, Stamford, Connecticut; that he is the Executive Vice President and Treasurer of Shearson Lehman Brothers Inc., one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument bearing the corporate name of said corporation is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that he signed his name thereto by like order.

/s/ Eileen M. Bannon

Notary Public

[Notary Seal]

STATE OF ILLINOIS)
) ss.:
COUNTY OF COOK)

On the 3rd day of October, in the year 1990, before me personally came , to me known, who being by me duly sworn, did depose and say that he resides at ; that he is a Vice President of Continental Bank, National Association, one of the corporations described in and which executed the foregoing instrument; that he

knows the seal of said corporation; that the seal affixed to said instrument bearing the corporate name of said corporation is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation; and the he signed his name thereto by like authority.

Notary Public

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the 3rd day of October, in the year 1990, before me personally came MICHAEL MILVERSTED, to me known, who being by me duly sworn, did depose and say that he resides at 15 Hampton Lane, Stamford, Connecticut; that he is the Executive Vice President and Treasurer of Shearson Lehman Brothers Inc., one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument bearing the corporate name of said corporation is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that he signed his name thereto by like order.

Notary Public

STATE OF ILLINOIS)
) ss.:
COUNTY OF COOK)

On the 3rd day of October, in the year 1990, before me personally came J.C.MULL, JR, to me known, who being by me duly sworn, did depose and say that he resides at 3526 IROQUOIS TR., DUNELAND BEACH, IN, that he is a Vice President of Continental Bank, National Association, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument bearing the corporate name of said corporation is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation; and the he signed his name thereto by like authority.

/s/ V. Washington

Notary Public

[Notary Seal]

SHEARSON LEHMAN BROTHERS INC.

and

CONTINENTAL BANK, NATIONAL ASSOCIATION
As Trustee Under Indenture
DATED AS of June 14, 1989

THIRD SUPPLEMENTAL INDENTURE
Dated As Of December 2, 1992

THIS THIRD SUPPLEMENTAL INDENTURE, dated as of December 2, 1992, between Shearson Lehman Brothers Inc., a corporation duly organized and existing under the laws of the State of Delaware (the "Company"), having its principal office at American Express Tower, World Financial Center, New York, New York 10285, and Continental Bank, National Association, a national banking association organized and existing by virtue of the laws of the United States of America (the "Trustee"), acting as Trustee under the indenture dated as of June 14, 1989, between the Company and the Trustee (the "Original Indenture").

W I T N E S S E T H:

WHEREAS, the Original Indenture provides for the issuance from time to time thereunder, in series, of debt securities of the Company to provide funds for its corporate purposes; and

WHEREAS, the Company has duly authorized the execution and delivery of the First Supplemental Indenture dated as of June 21, 1989 (the "First Supplemental Indenture") and the Second Supplemental Indenture dated as of October 3, 1990 (the "Second Supplemental Indenture;" the First Supplemental Indenture and the Second Supplemental Indenture each a "Supplemental Indenture" and collectively the "Supplemental Indentures," and the Original Indenture as so supplemented the "Indenture"); and

WHEREAS, the First Supplemental Indenture and the Second Supplemental Indenture provide for the creation and issuance of the Company's 9-1/2% Notes and 9-7/8% Notes, respectively, with the terms and provisions as therein set forth (the 9-1/2% Notes and 9-7/8% Notes collectively referred to as the "Notes"); and

WHEREAS, each of the Supplemental Indentures provides that the minimum denomination of the respective series of Notes is $100,000; and

WHEREAS, the Company desires, by this Third Supplemental Indenture, to change the minimum denomination of each series of the Notes; and

WHEREAS, Section 1101(10) of the Original Indenture provides that a supplemental indenture may be entered into by the Company and the Trustee without the consent of any Holders of Securities of any series, to make provisions with respect to matters or questions arising under the Indenture; and

WHEREAS, the Company has determined that this Third Supplemental Indenture

complies with said Section 1101(10) and does not require the consent of any Holders of Securities; and

WHEREAS, all acts and things necessary to make this Third Supplemental Indenture a valid agreement of the Company in accordance with its terms have been done, and the execution and delivery of this Third Supplemental Indenture have in all respects been duly authorized.

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE WITNESSETH:

For and in consideration of the premises it is mutually covenanted and agreed, for the equal and proportionate benefit of the Holders, as follows:

SECTION 1. Defined Terms. All capitalized terms used in this Third Supplemental Indenture and not otherwise defined shall have the meanings ascribed to them in the Original Indenture or the applicable Supplemental Indenture.

SECTION 2. Minimum Denomination of the Notes.

The fifth paragraph of Section 2 of the First Supplemental Indenture shall be deleted in its entirety and replaced with the following:

"The 9-1/2% Notes shall be issued in minimum denominations of $1,000 and integral multiples thereof."

The fifth paragraph of Section 3 of the Second Supplemental Indenture shall be deleted in its entirety and replaced with the following:

"The 9-7/8% Notes shall be issued in minimum denominations of $1,000 and integral multiples thereof."

TESTIMONIUM

This Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such

counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the date first above written.

SHEARSON LEHMAN BROTHERS INC.

By /s/ Michael R. Milversted

Executive Vice President and Treasurer

ATTEST:

/s/ Madeline Shapiro
- ---
Asst. Secretary

CONTINENTAL BANK, NATIONAL ASSOCIATION

By /s/ Greg Jordan

Vice President

ATTEST:

/s/
- ---
Trust Officer

SHEARSON LEHMAN BROTHERS INC.

and

CONTINENTAL BANK, NATIONAL ASSOCIATION
As Trustee Under Indenture
Dated as of June 14, 1989

FOURTH SUPPLEMENTAL INDENTURE
Dated as of December 30, 1992

Providing for issuance of

6% Senior Subordinated Notes Due 1994

THIS FOURTH SUPPLEMENTAL INDENTURE, dated as of December 30, 1992, between Shearson Lehman Brothers Inc., a corporation duly organized and existing under the laws of the State of Delaware (hereinafter called the "Company"), having its principal office at American Express Tower, World Financial Center, New York, New York 10285, and Continental Bank, National Association, a national banking association organized and existing by virtue of the laws of the United States of America (hereinafter called the "Trustee"), Trustee under the, Indenture dated as of June 14, 1989, between the Company and the Trustee (hereinafter called the "Original Indenture").

W I T N E S S E T H:

WHEREAS, the Original Indenture provides that the Company and the Trustee may enter into supplemental indentures without the consent of Holders for the purpose of making any other provisions with respect to matters arising therein, provided such action will not adversely affect the interests of the Holders of Securities of any series in any material respect; and

WHEREAS, the Original Indenture provides for the issuance from time to time thereunder, in series, of debt securities of the Company to provide funds for its corporate purposes; and

WHEREAS, the Company desires, by this Supplemental Indenture, to create a series of Securities to be issuable under the Original Indenture and to be known as the Company's 6% Senior Subordinated Notes Due 1994 (hereinafter called the "6% Notes"), the 6% Notes to be limited to $75,000,000 in aggregate principal amount, and the terms and provisions thereof to be as hereinafter set forth; and

WHEREAS, the form of the 6% Notes and the Trustee's certificate of

authentication to be borne by the 6% Notes are to be in the general form set forth in the Original Indenture, with such insertions, omissions and variations as the Board of Directors of the Company may determine; and

WHEREAS, all things necessary to make the 6% Notes, when executed by the Company and authenticated and delivered by the Trustee and duly issued by the Company, the valid obligations of the Company, and to make this Supplemental

Indenture a valid agreement of the Company, in accordance with their and its terms, have been done.

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE WITNESSETH:

For and in consideration of the premises, it is mutually covenanted and agreed, for the equal and proportionate benefit of the Holders, as follows:

SECTION 1. Defined Terms. All terms used in this Supplemental Indenture which are defined in the Original Indenture have the meanings assigned to them in the Original Indenture.

SECTION 2. Designation and Terms of the 6% Notes. The series of Securities created by this Supplemental Indenture shall be known and designated as the "6% Senior Subordinated Notes Due 1994" of the Company.

The Stated Maturity of the 6% Notes shall be December 30, 1994 and they shall bear interest from December 30, 1992, or from the most recent Interest Payment Date to which interest on the 6% Notes then outstanding has been paid or duly provided for, payable semiannually on June 15 and December 15 in each year (commencing June 15, 1993), and at Maturity, at the rate of 6% per annum until the principal amount thereof is paid or duly provided for.

Payment of principal of the 6% Notes and, unless otherwise paid as hereinafter provided, the interest thereon will be made at the office or agency of the Company in the Borough of Manhattan, City and State of New York; provided, however, that payment of interest may be made at the option of the Company by check or draft mailed to the person entitled thereto at such person's address appearing in the Security Register.

The Regular Record Date referred to in Section 301 of the Original Indenture for the payment of interest on the 6% Notes payable, and punctually paid or duly provided for, on any Interest Payment Date shall be the last day (whether or not a Business Day) of the calendar month next preceding such Interest Payment Date.

The 6% Notes may be issued in denominations of $ 1,000 and any integral multiple thereof.

Upon execution of this Supplemental Indenture, or from time to time thereafter, 6% Notes, in an aggregate principal amount not exceeding $75,000,000, may be executed by the Company and delivered to the Trustee for authentication, and the Trustee shall thereupon authenticate and deliver said 6% Notes to or upon a Company Order.

SECTION 3. Redemption of the 6% Notes. The 6% Notes are not subject to any sinking fund and shall not be redeemable prior to the Stated Maturity thereof, anything in Section 1202 of the Original Indenture to the contrary notwithstanding.

TESTIMONIUM

This Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHERFOF, the parties hereto have caused this Supplemental Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

SHEARSON LEHMAN BROTHERS INC.

By: /S/ Michael R. Milversted

Executive Vice President
and Treasurer

ATTEST:
/S/ Madeline L. Shapiro
- ---
Assistant Secretary

CONTINENTAL BANK, NATIONAL ASSOCIATION

By: /s/ Robert J. Donohue

Vice President

ATTEST:

/S/
- ---
Trust Officer

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the 30th day of December, in the year 1992, before me personally came MICHAEL MILVERSTED, to me known, who being by me duly sworn, did depose and say that he resides at 15 Hampton Lane, Stamford, Connecticut; that he is an Executive Vice President and the Treasurer of Shearson Lehman Brothers Inc., one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument bearing the corporate name of said corporation is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that he signed his name thereto by like order.

/S/ Eileen M. Bannon

Notary Public

[Notary Seal]

STATE OF ILLINOIS)
) ss.:
COUNTY OF COOK)

On the 28th day of December, in the year 1992, before me personally came Robert J. Donahue, to me known, who being by me duly sworn, did depose and say that he resides at Elburn, Illinois; that he is a Vice President of Contental Bank, National Assciation, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument bearing the corporate name of said corporation is such coporate seal; that it was so affixed by authority of the Board of Directors of said corporation; and then he signed his name thereo by

like authority.

/S/ Paul L. Farris

Notary Public

[Notary Seal]

SHEARSON LEHMAN BROTHERS INC.

and

CONTINENTAL BANK, NATIONAL ASSOCIATION
As Trustee Under Indenture
Dated as of June 14, 1989

FIFTH SUPPLEMENTAL INDENTURE
Dated as of January 14, 1993

Providing for issuance of

Floating Rate Senior Subordinated Notes Due 1994

THIS FIFTH SUPPLEMENTAL INDENTURE, dated as of January 14, 1993, between Shearson Lehman Brothers Inc., a corporation duly organized and existing under the laws of the State of Delaware (hereinafter called the "Company"); having its principal office at American Express Tower, World Financial Center, New York, New York 10285, and Continental Bank, National Association, a national banking association organized and existing by virtue of the laws of the United States of America (hereinafter called the "Trustee"), Trustee under the, Indenture dated as of June 14, 1989, between the Company and the Trustee (hereinafter called the "Original Indenture").

W I T N E S S E T H:

WHEREAS, the Original Indenture provides that the Company and the Trustee may enter into supplemental indentures without the consent of Holders for the purpose of making any other provisions with respect to matters arising therein, provided such action will not adversely affect the interests of the Holders of Securities of any series in any material respect; and

WHEREAS, the Original Indenture provides for the issuance from time to time thereunder, in series, of debt securities of the Company to provide funds for its corporate purposes; and

WHEREAS, the Company desires, by this Supplemental Indenture, to create a series of Securities to be issuable under the Original Indenture and to be known as the Company's Floating Rate Senior Subordinated Notes Due 1994 (hereinafter called the "Floating Rate Notes"), the Floating Rate Notes to be limited to $50,000,000 in aggregate principal amount, and the terms and provisions thereof to be as hereinafter set forth; and

WHEREAS, the form of the Floating Rate Notes and the Trustee's

certificate of authentication to be borne by the Floating Rate Notes are to be in the general form set forth in the Original Indenture, with such insertions, omissions and variations as the Board of Directors of the Company may determine; and

WHEREAS, all things necessary to make the Floating Rate Notes, when executed by the Company and authenticated and delivered by the Trustee and duly issued by the Company, the valid obligations of the Company, and to make this Supplemental Indenture a valid agreement of the Company, in accordance with their and its terms; have been done.

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE WITNESSETH:

For and in consideration of the premises, it is mutually covenanted and agreed, for the equal and proportionate benefit of the Holders, as follows:

SECTION 1. Defined Terms. All terms used in this Supplemental Indenture and not otherwise defined herein shall have the meanings ascribed to them in the Original Indenture. Set forth below are definitions of terms used in this Fifth Supplemental Indenture which apply solely to the Floating Rate Notes, and do not in any way modify or amend identical terms otherwise defined in the Original Indenture.

"Business Day" means any day that is not a Saturday or Sunday, that is a London business day and that, in New York City, is not a day on which banking institutions are generally authorized or required by law or executive order to close.

"Calculation Agent" means the agent appointed by the Company to calculate interest rates for the Floating Rate Notes. The Calculation Agent will be Continental Bank, National Association.

"Interest Determination Date" means the date as of which the interest rate for the Floating Rate Notes is to be calculated, to be effective as of the following Interest Reset Date, which with respect to the Floating Rate Notes is the second London business day prior to the relevant Interest Reset Date.

"LIBOR" means the rate calculated as set forth in Section 3 hereof.

"London business day" means any day on which dealings in U.S. dollars are transacted in the London interbank market.

SECTION 2. Designation and Terms of the Floating Rate Notes. The series of Securities created by this Supplemental Indenture shall be known and designated as the "Floating Rate Senior Subordinated Notes Due 1994" of the Company.

The Stated Maturity of the Floating Rate Notes shall be July 14, 1994 and they shall bear interest from and including January 14, 1993, or from and including the most recent Interest Payment Date to which interest on the

Floating Rate Notes then outstanding has been paid or duly provided for, as the case may be, payable quarterly on the third Wednesday in January, April, July and October in each year (commencing April 21, 1993), and at Maturity (each of which is an Interest Payment Date), to, but excluding such Interest Payment Date at the rate of 3-month LIBOR plus 0.625% per annum until the principal amount thereof is paid or duly provided for; provided, however, that if an Interest Payment Date would

otherwise fall on a day that is not a Business Day, such Interest Payment Date will be the following day that is a Business Day; provided, further, that if such day falls in the next calendar month, such Interest Payment Date shall be the preceding day that is a Business Day. The initial interest rate will be set on January 14, 1993 and the interest rate will reset on the third Wednesday in January, April, July and October of each year, commencing April 21, 1993 (each an "Interest Reset Date"). If any Interest Reset Date for the Floating Rate Notes would otherwise be a day that is not a London business day, such Interest Reset Date shall be postponed to the next day that is a London business day, except that if such London business day is in the next succeeding calendar month, such Interest Reset Date shall be the immediately preceding London business day. The Interest Determination Date for the initial interest rate will be January 12, 1993.

Payment of principal of the Floating Rate Notes and, unless otherwise paid as hereinafter provided, the interest thereon will be made at the office or agency of the Company in the Borough of Manhattan, City and State of New York; provided, however, that payment of interest may be made at the option of the Company by check or draft mailed to the person entitled thereto at such person's address appearing in the Security Register.

The Regular Record Date referred to in Section 301 of the Original Indenture for the payment of interest on the Floating Rate Notes payable, and punctually paid or duly provided for, on any Interest Payment Date shall be the fifteenth day (whether or not a Business Day) next preceding such Interest Payment Date.

The Floating Rate Notes may be issued in denominations of $1,000 and any integral multiple thereof.

Upon execution of this Supplemental Indenture, or from time to time thereafter, Floating Rate Notes, in an aggregate principal amount not exceeding $50,000,000, may be executed by the Company and delivered to the Trustee for authentication, and the Trustee shall thereupon authenticate and deliver said Floating Rate Notes to or upon a Company Order.

SECTION 3. Interest Rate Calculation. Accrued interest from the date of issuance or from the last date to which interest has been paid is calculated by multiplying the face amount of a Floating Rate Note by an accrued interest factor. This accrued interest factor is computed by adding the interest factors calculated for each day from the date of issuance, or from the last date to which interest has been paid, to the date for which accrued interest is being calculated. The interest factor (expressed as a decimal rounded upwards, if necessary, to the next higher one hundred-thousandth of a percentage point (e.g., 9.876541%, or .09876541, being rounded to 9.87655%, or .0987655, respectively)) for each such day is computed by dividing the interest rate (expressed as a decimal rounded upwards, if necessary, to the next higher one hundred-thousandth of a percentage point) applicable to such date by 360.

Interest will be determined by the Calculation Agent in accordance with the following provisions:

(i) On each Interest Determination Date, LIBOR will be determined on the basis of the offered rates for deposits in U.S. dollars having a maturity of 3 months, which appear on the Reuters Screen LIBO Page as of 11:00 A.M. London time. Such posted offered rates are for value on the second London business day after such Interest Determination Date. If at least two such offered rates appear on the Reuters Screen LIBO Page, the rate in respect of such LIBOR Interest Determination Date will be the arithmetic average (rounded upwards, if necessary, to the next higher one hundred-thousandth of a percentage point) of such offered rates as determined by the Calculation Agent. If fewer than two offered rates appear, LIBOR in respect to such Interest Determination Date will be determined as if the parties had specified the rate described in (ii) below.

(ii) On any Interest Determination Date on which fewer than two offered rates appear on the Reuters Screen LIBO Page as specified in (i) above, LIBOR will be determined on the basis of the rates at which deposits in U.S. dollars are offered by four major banks in the London interbank market selected by the Calculation Agent (the "Reference Banks") at approximately 11:00 A.M., London time, on such Interest Determination Date to prime banks in the London interbank market, having a maturity of 3 months, such deposits commencing on the second London business day immediately following such Interest Determination Date and in a principal amount equal to an amount of not less than $1,000,000 that is representative for a single transaction in such market at such time. The Calculation Agent will request the principal London office of each of such Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, LIBOR in respect of such Interest Determination Date will be the arithmetic average (rounded upwards, if necessary, to the next higher one

hundred-thousandth of a percentage point) of such quotations. If fewer than two quotations are provided, LIBOR in respect of such Interest Determination Date will be the arithmetic average (rounded upwards, if necessary, to the next higher one hundred-thousandth of a percentage point) of the rates quoted by three major banks in The City of New York selected by the Calculation Agent at approximately 11:00 A.M., New York City time, on such Interest Determination Date (or if such day is not a Business Day, such Interest Determination Date will be the following Business Day, provided that if such day falls in the next calendar month, such Interest Determination Date shall be the next preceding day which is a Business Day) for loans in U.S. dollars to leading European banks, having a maturity of 3 months, such loans commencing on the second London business day immediately following such date and in a principal amount equal to an amount of not less than $1,000,000 that is representative for a single transaction in such market at such time; provided, however, that if the banks in The City of New York selected is aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, LIBOR for the applicable period will be LIBOR in effect on such Interest Determination Date.

SECTION 4. Redemption of the Floating Rate Notes. The Floating Rate Notes are not subject to any sinking fund and shall not be redeemable prior to the Stated Maturity thereof, anything in Section 1202 of the Original Indenture

to the contrary notwithstanding.

TESTIMONIUM

This Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

SHEARSON LEHMAN BROTHERS INC.

By: /s/ Michael R. Milversted

Executive Vice President
and Treasurer

ATTEST:

/s/ Madeline L. Shapiro
- ---
Assistant Secretary

CONTINENTAL BANK, NATIONAL ASSOCIATION

By: /s/ Robert J. Donahue

Vice President

ATTEST:

/s/
- ---
Trust Officer

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the 14th day of January, in the year 1993, before me personally came MICHAEL R. MILVERSTED, to me known, who being by me duly sworn, did depose and say that he resides at 15 Hampton Lane, Stamford, Connecticut; that he is an Executive Vice President and the Treasurer of Shearson Lehman Brothers Inc., one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument bearing the corporate name of said corporation is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that he signed his name thereto by like order.

/s/ Christine Y. Ko

Notary Public

[Notary Seal]

STATE OF ILLINOIS)
) ss.:
COUNTY OF COOK)

On the 14th day of January, in the year 1993, before me personally came Robert J. Donahue, to me known, who being by me duly sworn, did depose and say that he resides at Elburn, Illinois; that he is a Vice President of Continental Bank, National Association, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument bearing the corporate name of said corporation is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation; and that he signed his name thereto by like authority.

/s/ Paul L. Farris

Notary Public

[Notary Seal]

SHEARSON LEHMAN BROTHERS INC.

and

CONTINENTAL BANK, NATIONAL ASSOCIATION
As Trustee Under Indenture
Dated as of June 14, 1989

SIXTH SUPPLEMENTAL INDENTURE
Dated as of May 17, 1993

Providing for issuance of

Floating Rate Senior Subordinated Notes Due 1996

THIS SIXTH SUPPLEMENTAL INDENTURE, dated as of May 17, 1993, between Shearson Lehman Brothers Inc., a corporation duly organized and existing under the laws of the State of Delaware (hereinafter called the "Company"), having its principal office at American Express Tower, World Financial Center, New York, New York 10285, and Continental Bank, National Association, a national banking association organized and existing by virtue of the laws of the United States of America (hereinafter called the "Trustee"), Trustee under the Indenture dated as of June 14, 1989, between the Company and the Trustee (hereinafter called the "Original Indenture").

W I T N E S S E T H:

WHEREAS, the Original Indenture provides that the Company and the Trustee may enter into supplemental indentures without the consent of Holders for the purpose of making any other provisions with respect to matters arising therein, provided such action will not adversely affect the interests of the Holders of Securities of any series in any material respect; and

WHEREAS; the Original Indenture provides for the issuance from time to time thereunder, in series, of debt securities of the Company to provide funds for its corporate purposes; and

WHEREAS, the Company desires, by this Supplemental Indenture, to create a series of Securities to be issuable under the Original Indenture and to be known as the Company's Floating Rate Senior Subordinated Notes Due 1996 (hereinafter called the "Floating Rate Notes"), the Floating Rate Notes to be limited to $150,000,000 in aggregate principal amount, and the terms and provisions thereof to be as hereinafter set forth; and

WHEREAS, the form of the Floating Rate Notes and the Trustee's

certificate of authentication to be borne by the Floating Rate Notes are to be in the general form set forth in the Original Indenture, with such insertions, omissions and variations as the Board of Directors of the Company may determine; and

WHEREAS, all things necessary to make the Floating Rate Notes, when executed by the Company and authenticated and delivered by the Trustee and duly issued by the Company, the valid obligations of the Company, and to make this Supplemental Indenture a valid agreement of the Company, in accordance with their and its terms, have been done.

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE WITNESSETH:

For and in consideration of the premises, it is mutually covenanted and agreed, for the equal and proportionate benefit of the Holders, as follows:

SECTION 1. Defined Terms. All terms used in this Supplemental Indenture and not otherwise defined herein shall have the meanings ascribed to them in the Original Indenture. Set forth below are definitions of terms used in this Sixth Supplemental Indenture which apply solely to the Floating Rate Notes, and do not in any way modify or amend identical terms otherwise defined in the Original Indenture.

"Business Day" means any day that is not a Saturday or Sunday, that is a London business day and that, in New York City, is not a day on which banking institutions are generally authorized or required by law or executive order to close.

"Calculation Agent" means the agent appointed by the Company to calculate interest rates for the Floating Rate Notes. The Calculation Agent will be Continental Bank, National Association.

"Interest Determination Date" means the date as of which the interest rate for the Floating Rate Notes is to be calculated, to be effective as of the following Interest Reset Date, which with respect to the Floating Rate Notes is the second London business day prior to the relevant Interest Reset Date.

"LIBOR" means the rate calculated as set forth in Section 3 hereof.

"London business day" means any day on which dealings in U.S. dollars are transacted in the London interbank market.

SECTION 2. Designation and Terms of the Floating Rate Notes. The series of Securities created by this Supplemental Indenture shall be known and designated as the "Floating Rate Senior Subordinated Notes Due 1996" of the Company.

The Stated Maturity of the Floating Rate Notes shall be May 17, 1996 and they shall bear interest from and including May 17, 1993, or from

and including the most recent Interest Payment Date to which interest on the Floating Rate Notes then outstanding has been paid or duly provided for, as the case may be, payable quarterly on the third Wednesday in February, May, August and November in each year (commencing August 18, 1993), and at Maturity (each of which is an Interest Payment Date), to, but excluding such Interest Payment Date at the rate of 3-month LIBOR plus 0.625% per annum until the principal amount thereof is paid or duly provided for; provided, however, that if an Interest Payment Date would otherwise fall on a day that is not a Business Day, such

Interest Payment Date will be the following day that is a Business Day; provided, further, that if such day falls in the next calendar month, such Interest Payment Date shall be the preceding day that is a Business Day. The initial interest rate will be set on May 17, 1993 and the interest rate will reset on the third Wednesday in February, May, August and November of each year, commencing August 18, 1993 (each an "Interest Reset Date"). If any Interest Reset Date for the Floating Rate Notes would otherwise be a day that is not a London business day, such Interest Reset Date shall be postponed to the next day that is a London business day, except that if such London business day is in the next succeeding calendar month, such Interest Reset Date shall be the immediately preceding London business day. The Interest Determination Date for the initial interest rate will be May 13, 1993.

Payment of principal of the Floating Rate Notes and, unless otherwise paid as hereinafter provided, the interest thereon will be made at the office or agency of the Company in the Borough of Manhattan, City and State of New York; provided, however, that payment of interest may be made at the option of the Company by check or draft mailed to the person entitled thereto at such person's address appearing in the Security Register.

The Regular Record Date referred to in Section 301 of the Original Indenture for the payment of interest on the Floating Rate Notes payable, and punctually paid or duly provided for, on any Interest Payment Date shall be the fifteenth day (whether or not a Business Day) next preceding such Interest Payment Date.

The Floating Rate Notes may be issued in denominations of $1,000 and any integral multiple thereof.

Upon execution of this Supplemental Indenture, or from time to time thereafter, Floating Rate Notes, in an aggregate principal amount not exceeding $150,000,000, may be executed by the Company and delivered to the Trustee for authentication, and the Trustee shall thereupon authenticate and deliver said Floating Rate Notes to or upon a Company Order.

SECTION 3. Interest Rate Calculation. Accrued interest from the date of issuance or from the last date to which interest has been paid is calculated by multiplying the face amount of a Floating Rate Note by an

accrued interest factor. This accrued interest factor is computed by adding the interest factors calculated for each day from the date of issuance, or from the last date to which interest has been paid, to the date for which accrued interest is being calculated. The interest factor (expressed as a decimal rounded upwards, if necessary, to the next higher one hundred-thousandth of a percentage point (e.g., 9.876541%, or .09876541, being rounded to 9.87655%, or .0987655, respectively)) for each such day is computed by dividing the interest rate (expressed as a decimal rounded upwards, if necessary, to the next higher one hundred-thousandth of a percentage point) applicable to such date by 360.

Interest will be determined by the Calculation Agent in accordance with the following provisions:

(i) On each Interest Determination Date, LIBOR will be determined

on the basis of the offered rates for deposits in U.S. dollars having a maturity of 3 months, which appear on the Reuters Screen LIBO Page as of 11:00 A.M. London time. Such posted offered rates are for value on the second London business day after such Interest Determination Date. If at least two such offered rates appear on the Reuters Screen LIBO Page, the rate in respect of such LIBOR Interest Determination Date will be the arithmetic average (rounded upwards, if necessary, to the next higher one hundred-thousandth of a percentage point) of such offered rates as determined by the Calculation Agent. If fewer than two offered rates appear, LIBOR in respect to such Interest Determination Date will be determined as if the parties had specified the rate described in (ii) below.

(ii) On any Interest Determination Date on which fewer than two offered rates appear on the Reuters Screen LIBO Page as specified in (i) above, LIBOR will be determined on the basis of the rates at which deposits in U.S. dollars are offered by four major banks in the London interbank market selected by the Calculation Agent (the "Reference Banks") at approximately 11:00 A.M., London time, on such Interest Determination Date to prime banks in the London interbank market, having a maturity of 3 months, such deposits commencing on the second London business day immediately following such Interest Determination Date and in a principal amount equal to an amount of not less than $1,000,000 that is representative for a single transaction in such market at such time. The Calculation Agent will request the principal London office of each of such Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, LIBOR in respect of such Interest Determination Date will be the arithmetic average (rounded upwards, if necessary, to the next higher one hundred-thousandth of a percentage point) of such quotations. If fewer than two quotations are provided, LIBOR in respect of such Interest Determination Date will be the arithmetic average (rounded upwards, if necessary, to the next higher one hundred-thousandth of a percentage point) of the rates quoted by three major banks in The City of New York selected by the Calculation Agent at approximately 11:00 A.M., New York City time, on such Interest Determination Date (or if such day is not a

Business Day, such Interest Determination Date will be the following Business Day, provided that if such day falls in the next calendar month, such Interest Determination Date shall be the next preceding day which is a Business Day) for loans in U.S. dollars to leading European banks, having a maturity of 3 months, such loans commencing on the second London business day immediately following such date and in a principal amount equal to an amount of not less than $1,000,000 that is representative for a single transaction in such market at such time; provided, however, that if the banks in The City of New York selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, LIBOR for the applicable period will be LIBOR in effect on such Interest Determination Date.

SECTION 4. Redemption of the Floating Rate Notes. The Floating Rate Notes are not subject to any sinking fund and shall not be redeemable prior to the Stated Maturity thereof, anything in Section 1202 of the Original Indenture to the contrary notwithstanding.

TESTIMONIUM

This Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

SHEARSON LEHMAN BROTHERS INC.

By: /s/ Michael R. Milversted

Executive Vice President
and Treasurer

ATTEST:

/s/ Madeline L. Shapiro
- ---

Assistant Secretary

CONTINENTAL BANK, NATIONAL ASSOCIATION

By:

Vice President

ATTEST:

- ---
Trust Officer

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the 17th day of May, in the year 1993, before me personally came MICHAEL R. MILVERSTED, to me known, who being by me duly sworn, did depose and say that he resides at 15 Hampton Lane, Stamford, Connecticut; that he is an Executive Vice President and the Treasurer of Shearson Lehman Brothers Inc., one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument bearing the corporate name of said corporation is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that he signed his name thereto by like order.

/s/ Christine Y. Ko

Notary Public

[Notary Seal]

STATE OF ILLINOIS)
) ss.:
COUNTY OF COOK)

On the 17th day of May, in the year 1993, before me personally came _____, to me known, who being by me duly sworn, did depose and say that he resides at _____; that he is a Vice President of Continental Bank, National Association, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument bearing the corporate name of said corporation is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation; and that he signed his name thereto by like authority.

Notary Public

TESTIMONIUM

This Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

SHEARSON LEHMAN BROTHERS INC.

By:

Executive Vice President
and Treasurer

ATTEST:

- ---
Assistant Secretary

CONTINENTAL BANK, NATIONAL ASSOCIATION

By: /s/ Greg Jordan

Vice President

ATTEST:

/s/ Melissa A. Rosal
- ---
Trust Officer

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the 17th day of May, in the year 1993, before me personally came MICHAEL R. MILVERSTED, to me known, who being by me duly sworn, did depose and say that he resides at 15 Hampton Lane, Stamford, Connecticut; that he is an Executive Vice President and the Treasurer of Shearson Lehman Brothers Inc., one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument bearing the corporate name of said corporate on is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that he signed his name thereto by like order.

Notary Public

STATE OF ILLINOIS)
) ss.:
COUNTY OF COOK)

On the 17th day of May, in the year 1993, before me personally came Greg Jordan, to me known, who being by me duly sworn, did depose and say that he resides at Naperville, IL; that he is a Vice President of Continental Bank, National Association, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument bearing the corporate name of said corporation

is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation; and that he signed his name thereto by like authority.

/s/ V. Washington

Notary Public

[Notary Seal]

LEHMAN BROTHERS INC.

and

CONTINENTAL BANK, NATIONAL ASSOCIATION
As Trustee Under Indenture
Dated as of June 14, 1989

SEVENTH SUPPLEMENTAL INDENTURE
Dated as of November 17, 1993

Providing for issuance of

5 3/4% Senior Subordinated Notes Due 1998

THIS SEVENTH SUPPLEMENTAL INDENTURE, dated as of November 17, 1993, between Lehman Brothers Inc., a corporation duly organized and existing under the laws of the State of Delaware (hereinafter called the "Company"), having its principal office at Three World Financial Center, New York, New York 10285, and Continental Bank, National Association, a national banking association organized and existing by virtue of the laws of the United States of America (hereinafter called the "Trustee"), Trustee under the Indenture dated as of June 14, 1989, between the Company and the Trustee (hereinafter called the "Original Indenture".

W I T N E S S E T H:

WHEREAS, the Original Indenture provides that the Company and the Trustee may enter into supplemental indentures without the consent of Holders for the purpose of making any other provisions with respect to matters arising therein, provided such action will not adversely affect the interests of the Holders of Securities of any series in any material respect; and

WHEREAS, the Original Indenture provides for the issuance from time to time thereunder, in series, of debt securities of the Company to provide funds for its corporate purposes; and

WHEREAS, the Company desires, by this Supplemental Indenture, to create a series of Securities to be issuable under the Original Indenture and to be known as the Company's 5 3/4% Senior Subordinated Notes Due 1998 (hereinafter called the "5 3/4% Notes"), the 5 3/4% Notes to be limited to $200,000,000 in aggregate principal amount, and the terms and provisions thereof to be as hereinafter set forth; and

WHEREAS. the form of the 5 3/4% Notes and the Trustee's certificate of authentication to be borne by the 5 3/4% Notes are to be in the general form set forth in the Original Indenture, with such insertions, omissions and variations as the Board of Directors of the Company may determine; and

WHEREAS, all things necessary to make the 5 3/4% Notes, when executed by the Company and authenticated and delivered by the Trustee and duly issued by the Company, the valid obligations of the Company, and to make this Supplemental Indenture a valid agreement of the Company, in accordance with their and its terms, have been done.

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE WITNESSETH:

For and in consideration of the premises, it is mutually covenanted and agreed, for the equal and proportionate benefit of the Holders, as follows:

SECTION 1. Defined Terms. All terms used in this Supplemental Indenture and not otherwise defined herein shall have the meanings ascribed to them in the Original Indenture.

SECTION 2. Designation and Terms of the 5 3/4% Notes. The series of Securities created by this Supplemental Indenture shall be known and designated as the "5 3/4% Senior Subordinated Notes Due 1998" of the Company.

The Stated Maturity of the 5 3/4% Notes shall be November 15, 1998 and they shall bear interest from and including November 17, 1993, or from and including the most recent Interest Payment Date to which interest on the 5 3/4% Notes then outstanding has been paid or duly provided for, as the case may be, payable semiannually on May 15 and November 15 in each year (commencing May 15, 1994), and at Maturity at the rate of 5 3/4% per annum until the principal amount thereof is paid or duly provided for.

Payment of principal of the 5 3/4% Notes and, unless otherwise paid as hereinafter provided, the interest thereon will be made at the office or agency of the Company in the Borough of Manhattan, City and State of New York; provided, however, that payment of interest may be made at the option of the Company by check or draft mailed to the person entitled thereto at such person's address appearing in the Security Register.

The Regular Record Date referred to in Section 301 of the Original Indenture for the payment of interest on the 5 3/4% Notes payable, and punctually paid or duly provided for, on any Interest Payment Date shall be the last day of the month next preceding such Interest Payment Date.

The 5 3/4% Notes may be issued in denominations of $1,000 and any integral multiple thereof.

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Upon execution of this Supplemental Indenture, or from time to time thereafter, 5 3/4% Notes, in an aggregate principal amount not exceeding $200,000,000, may be executed by the Company and delivered to the Trustee for authentication, and the Trustee shall thereupon authenticate and deliver said 5 3/4% Notes to or upon a Company Order.

SECTION 3. Redemption of the 5 3/4% Notes. The 5 3/4% Notes are not subject to any sinking fund and shall not be redeemable prior to the Stated Maturity thereof, anything in Section 1202 of the Original Indenture to the contrary notwithstanding.

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TESTIMONIUM

This Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

LEHMAN BROTHERS INC.

By: ----------
Managing Director
and Treasurer

ATTEST:

- ----------
Assistant Secretary

CONTINENTAL BANK, NATIONAL ASSOCIATION

By: /s/ Greg Jordan

Vice President

ATTEST:

/s/ Melissa A. Rosal
- ---
Trust Officer

TESTIMONIUM

This Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

LEHMAN BROTHERS INC.

By: /s/ Michael R. Milversted

Managing Director
and Treasurer

ATTEST:

/s/ Eileen M. Bannon
- ---
Assistant Secretary

CONTINENTAL BANK, NATIONAL
ASSOCIATION

By:

Vice President

ATTEST:

- ---
Trust Officer

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the 17th day of November, in the year 1993, before me personally came MICHAEL R. MILVERSTED, to me known, who being by me duly sworn, did depose and say that he resides at 15 Hampton Lane, Stamford, Connecticut; that he is a Managing Director and the Treasurer of Lehman Brothers Inc., one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument bearing the corporate name of said corporation is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that he signed his name thereto by like order.

/s/ Madeline L. Shapiro

Notary Public

[Notary Seal]

STATE OF ILLINOIS)
) ss.:
COUNTY OF COOK)

On the 17th day of November, in the year 1993, before me personally came _____, to me known, who being by me duly sworn, did depose and say that he resides at _____; that he is a Vice President of Continental Bank, National Association, one of the corporations described in and which executed the foregoing instrument; that he knows the

seal of said corporation; that the seal affixed to said instrument bearing the corporate name of said corporation is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation; and that he signed his name thereto by like authority.

Notary Public

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the 17th day of November, in the year 1993, before me personally came MICHAEL R. MILVERSTED, to me known, who being by me duly sworn, did depose and say that he resides at 15 Hampton Lane, Stamford, Connecticut; that he is a Managing Director and the Treasurer of Lehman Brothers Inc., one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument bearing the corporate name of said corporation is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that he signed his name thereto by like order.

Notary Public

STATE OF ILLINOIS)
) ss.:
COUNTY OF COOK)

On the 17th day of November, in the year 1993, before me personally came, Greg Jordan to me known, who being by me duly sworn, did depose and say that he resides at Naperville, Illinois ; that he is a Vice President of Continental Bank, National Association, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument bearing the corporate name of said corporation is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation; and that he signed his name thereto by like authority.

/s/ Margaret Faccenda

_____

Notary Public

[Notary Seal]

LEHMAN BROTHERS INC.

and

CONTINENTAL BANK, NATIONAL ASSOCIATION
As Trustee Under Indenture
Dated as of June 14, 1989

EIGHTH SUPPLEMENTAL INDENTURE
Dated as of December 23, 1993

Providing for issuance of

Step-Up Senior Subordinated Notes Due 2003

THIS EIGHTH SUPPLEMENTAL INDENTURE, dated as of December 23, 1993, between Lehman Brothers Inc., a corporation duly organized and existing under the laws of the State of Delaware (hereinafter called the "Company"), having its principal office at Three World Financial Center, New York, New York 10285, and Continental Bank, National Association, a national banking association organized and existing by virtue of the laws of the United States of America (hereinafter called the "Trustee"), Trustee under the Indenture dated as of June 14, 1989, between the Company and the Trustee (hereinafter called the "Original Indenture".

W I T N E S S E T H:

WHEREAS, the Original Indenture provides that the Company and the Trustee may enter into supplemental indentures without the consent of Holders for the purpose of making any other provisions with respect to matters arising therein, provided such action will not adversely affect the interests of the Holders of Securities of any series in any material respect; and

WHEREAS, the Original Indenture provides for the issuance from time to time thereunder, in series, of debt securities of the Company to provide funds for its corporate purposes; and

WHEREAS, the Company desires, by this Supplemental Indenture, to create a series of Securities to be issuable under the Original Indenture and to be known as the Company's Step-Up Senior Subordinated Notes Due 2003 (hereinafter called the "Step-Up Notes"), the Step-Up Notes to be limited to $200,000,000 in aggregate principal amount, and the terms and provisions thereof to be as hereinafter set forth; and

WHEREAS, the form of the Step-Up Notes and the Trustee's certificate of authentication to be borne by the Step-Up Notes are to be in the general form

set forth in the Original Indenture, with such insertions, omissions and variations as the Board of Directors of the Company may determine; and

WHEREAS, all things necessary to make the Step-Up Notes, when executed by the Company and authenticated and delivered by the Trustee and duly issued by the Company, the valid obligations of the Company, and to make this Supplemental Indenture a valid agreement of the Company, in accordance with their and its terms, have been done.

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE WITNESSETH:

For and in consideration of the premises, it is mutually covenanted and agreed, for the equal and proportionate benefit of the Holders, as follows:

SECTION 1. Defined Terms. All terms used in this Supplemental Indenture and not otherwise defined herein shall have the meanings ascribed to them in the Original Indenture.

SECTION 2. Designation and Terms of the Step-Up Notes. The series of Securities created by this Supplemental Indenture shall be known and designated as the "Step-Up Senior Subordinated Notes Due 2003" of the Company.

The Stated Maturity of the Step-Up Notes shall be December 15, 2003 and they shall bear interest from and including December 23, 1993, or from and including the most recent Interest Payment Date to which interest on the Step-Up Notes then outstanding has been paid or duly provided for, as the case may be, payable semiannually on June 15 and December 15 in each year (commencing June 15, 1994), and at Maturity until the principal amount thereof is paid or duly provided for.

Interest is payable at the annual rate of (i) 5.04% from December 23, 1993 to, but not including, December 15, 1996, and (ii) 7.36% from December 15, 1996 to, but not including, Maturity, in each case as hereinabove described.

Payment of principal of the Step-Up Notes (whether at Stated Maturity or the Repayment Date, as hereinafter defined) and, unless otherwise paid as hereinafter provided, the interest thereon will be made at the office or agency of the Company in the Borough of Manhattan, City and State of New York; provided, however, that payment of interest may be made at the option of the Company by check or draft mailed to the person entitled thereto at such person's address appearing in the Security Register.

The Regular Record Date referred to in Section 301 of the Original Indenture for the payment of interest on the Step-Up Notes payable, and punctually paid or duly provided for, on any Interest Payment Date shall be the last day of the month next preceding such Interest Payment Date.

3

The Step-Up Notes may be issued in denominations of $1,000 and any integral multiple thereof.

Upon execution of this Supplemental Indenture, or from time to time thereafter, Step-Up Notes, in an aggregate principal amount not exceeding $200,000,000, may be executed by the Company and delivered to the Trustee for authentication, and the Trustee shall thereupon authenticate and deliver said Step-Up Notes to or upon a Company Order.

SECTION 3. Redemption of the Step-Up Notes. Other than as described in Section 4 of this Supplemental Indenture, the Step-Up Notes are not repayable prior to Stated Maturity. The Step-Up Notes are not subject to any sinking fund and shall not be redeemable prior to the Stated Maturity thereof, anything in Section 1202 of the Original Indenture to the contrary notwithstanding.

SECTION 4. Election of Holders for Repayment in 1996. The Holder of any Step-Up Note may elect to have such Note (or any portion thereof which is $1,000 or an integral multiple thereof) repaid on December 15, 1996 (the "Repayment Date") at a repayment price equal to 100% of the principal amount to be repaid, together with interest thereon payable to the Repayment Date (the "Repayment Amount"). If the Repayment Date is not a Business Day, the Company will pay the Repayment Amount for Step-Up Notes with respect to which it has received the required notice (as hereinafter described) on the next succeeding Business Day. Such election may be made by the Holders of the Step-Up Notes by delivery to the Company, at the office of the Trustee's New York facility, c/o Mellon Securities Transfer Services Inc., 120 Broadway, 33rd Floor, New York, New York 10271 (or such other address of which the Company shall give notice to the Holders of the Step-Up Notes), during the period from and including October 15, 1996 to and including November 15, 1996 (or, if November 15, 1996 shall not be a Business Day, the next succeeding Business Day), of either of the following:

(a) the Step-Up Notes which such Holder elects to have repaid in whole or in part with the form entitled "Option to Elect Repayment" on the reverse side of such Step-Up Note duly completed; or

(b) a telegram, telex, facsimile transmission or letter from a member of a national securities exchange or the National Association of Securities Dealers, Inc. or a commercial bank or trust company in the United States of America setting forth the name of such Holder, the principal amount of the Step-Up Note registered in such Holder's name which such Holder elects to have repaid in whole or in part, the portion thereof to be repaid, a statement that the option to elect repayment is being irrevocably exercised thereby and a guarantee that such Step-Up Note with the form entitled "Option to Elect Repayment" on the reverse side thereof duly completed will be delivered to the

Company not later than five Business Days after the date of such telegram, telex, facsimile transmission or letter and such Step-Up Note and form are received by the Company by such fifth Business Day.

Any such election shall be irrevocable. All questions as to the validity, eligibility (including time of receipt) and acceptance of any Step-Up Note for repayment will be determined by the Company, whose determination will be final and binding.

On December 15, 1996 the Company will pay to those Holders of the Step-Up Notes electing repayment as aforesaid the applicable Repayment Amount, but subject in any event to the provisions of Section 702(b) of the Original Indenture. In the case of any such Step-Up Note repaid in part, the Company will execute, and the Trustee shall authenticate and deliver, in the name of such Holder, a new Step-Up Note for the unpaid balance thereof.

There shall be set forth on the reverse of the Step-Up Notes (in addition to such other provisions as may be permitted) a paragraph reading substantially as follows:

* * * * *

"The Securities will be repayable in whole or in part in increments of $1,000 on December 15, 1996, at the option of the Holder thereof, at a repayment price equal to 100% of the principal amount to be repaid. together with interest thereon payable to December 15, 1996. To be repaid, the Company must receive at the office of the Trustee's New York facility, c/o Mellon Transfer Services, Inc., 120 Broadway, 33rd Floor, New York, New York 10271, (or at such other address of which the Company shall from time to time notify the Holders of the Securities) during the period from and including October 15, 1996 to and including November 15, 1996 or, if such November 15 is not a Business Day, the next succeeding Business Day (the "Election Period"), (i) a Security with the form entitled "Option to Elect Repayment" on the reverse side of the Security duly completed, or (ii) a telegram, telex, facsimile transmission or letter from a member of a national securities exchange or the National Association of Securities Dealers, Inc. or a commercial bank or a trust company in the United States of America setting forth the name of the Holder of the Security, the principal amount of the Security, the amount of the Security to be repaid, a statement that the option to elect repayment is being exercised thereby and a guarantee that the Security to be repaid with the form entitled "Option to Elect Repayment" on the reverse of the Security duly completed will be received by the Company not later than five Business Days after the date of such telegram, telex, facsimile transmission or letter and such Security and form duly completed are received by the Company by such fifth

Business Day. Any such election shall be irrevocable. All questions as to the validity, eligibility (including time of receipt) and acceptance of any Security for repayment will be determined by the Company, whose determination will be final and binding. After the Election Period, the Holders of the Securities shall not have any option to elect repayment. The obligation of the Company to repay the Securities at December 15, 1996 is subject to the restrictions on payment described in the Indenture."

* * * * *

The form of "Option to Elect Repayment" appearing on the reverse of the Step-Up Notes shall be substantially as follow:

OPTION TO ELECT REPAYMENT

The Undersigned hereby irrevocably requests and instructs the Company to repay this Security (or portion hereof specified below) pursuant to its terms at a price equal to the principal amount hereof, together with interest to December 15, 1996, to the undersigned, at _____.

For this Security to be repaid. the Company must receive at the office of the Trustee's New York facility, c/o Mellon Transfer Services Inc., 120 Broadway, 33rd Floor, New York, New York 10271, or at such additional place or places of which the Company shall from time to time notify the Holder of this Security, during the period from and including October 15, 1996 to and including November 15, 1996, or, if such November 15 is not a Business Day, the next succeeding Business Day (i) this Security with this "Option to Elect Repayment" form duly completed or (ii) a telegram, telex, facsimile transmission or letter from a member of a national securities exchange or the National Association of Securities Dealers, Inc. or a commercial bank or a trust company in the United States of America setting forth the name of the Holder of this Security, the principal amount of this Security, the amount of this Security to be repaid, a statement that the option to elect repayment is being made thereby and a guarantee that this Security with this "Option to Elect Repayment" form on the reverse of this Security duly completed will be received by the Company not later than five Business Days after the date of such telegram, telex, facsimile transmission or letter, and this Security and form duly completed are received by the Company by such fifth Business Day.

If less than the entire principal amount of this Security is to be repaid, specify the portion thereof (which shall be an integral multiple of $1,000) which the Holder elects to have repaid: $; and specify the

denomination or denominations (which shall be $1,000 or a multiple thereof) of the Security or Securities to be issued to the Holder for the portion of this Security not being repaid (in the absence of any such specification, one such Security will be issued for the portion not being repaid): $.

Dated:

_____
Note: The signature to this Option to Elect Repayment must correspond with the name as written upon the face of the Security in every particular, without alteration or enlargement or any other change whatsoever.

* * * * *

TESTIMONIUM

This Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

LEHMAN BROTHERS INC.

By: /S/ Michael R. Milversted

Managing Director
and Treasurer

ATTEST:

/s/ Eileen M. Bannon

- ------------------------------
Assistant Secretary

CONTINENTAL BANK, NATIONAL ASSOCIATION

By:

Vice President

ATTEST:

- ---------------------------
Trust Officer

TESTIMONIUM

This Supplemental Indenture mav be executed in any number of counterparts, each of which so executed shall be deemed to be an original. but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

LEHMAN BROTHERS INC.

By:

Managing Director
and Treasurer

ATTEST:

- ----------
Assistant Secretary

CONTINENTAL BANK, NATIONAL ASSOCIATION

By: /S/ Greg Jordan

Vice President

ATTEST:

/s/ Melissa A. Rosal
- ----------
Trust Officer

STATE OF NEW YORK)
) SS.:
COUNTY OF NEW YORK)

On the 23rd day of December, in the year 1993, before me personally came MICHAEL R. MILVERSTED, to me known, who being by me duly sworn, did depose and say that he resides at 15 Hampton Lane, Stamford, Connecticut; that he is a Managing Director and the Treasurer of Lehman Brothers Inc., one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument bearing the corporate name of said corporation is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that he signed his name thereto by like order.

/s/ John D. Smith, Jr.

Notary Public

[Notary Seal]

STATE OF ILLINOIS)

) SS.:
COUNTY OF COOK)

On the 23rd day of December, in the year 1993, before me personally came _____, to me known, who being by me duly sworn, did depose and say that he resides at _____; that he is a Vice President of Continental Bank, National Association, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument bearing the corporate name of said corporation is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation; and that he signed his name thereto by like authority.

Notary Public

STATE OF NEW YORK)
) SS.:
COUNTY OF NEW YORK)

On the 23rd day of December, in the year 1993, before me personally came MICHAEL R. MILVERSTED, to me known, who being by me duly sworn, did depose and say that he resides at 15 Hampton Lane, Stamford, Connecticut; that he is a Managing Director and the Treasurer of Lehman Brothers Inc., one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument bearing the corporate name of said corporation is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that he signed his name thereto by like order.

Notary Public

STATE OF ILLINOIS)
) SS.:
COUNTY OF COOK)

On the 23rd day of December, in the year 1993, before me personally came Greg Jordan, to me known, who being by me duly sworn, did depose and say that he resides at Naperville, Illinois; that he is a Vice President of Continental Bank, National Asloci ation, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said

corporation; that the seal affixed to said instrument bearing the corporate name of said corporation is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation; and that he signed his name thereto by like authority.

/s/ Pam Johnson

Notary Public

[Notary Seal]

LEHMAN BROTHERS INC.

and

CONTINENTAL BANK, NATIONAL ASSOCIATION
As Trustee Under Indenture
Dated as of June 14, 1989

NINTH SUPPLEMENTAL INDENTURE
Dated as of January __, 1994

THIS NINTH SUPPLEMENTAL INDENTURE, dated as of January __, 1994, between Lehman Brothers Inc., a corporation duly organized and existing under the laws of the State of Delaware (hereinafter called the "Company"), having its principal office at Three World Financial Center, New York, New York 10285, and Continental Bank, National Association, a national banking association organized and existing by virtue of the laws of the United States of America (hereinafter called the "Trustee"), Trustee under the Indenture dated as of June 14, 1989, between the Company and the Trustee (hereinafter called the "Original Indenture").

W I T N E S S E T H:

WHEREAS, the Original Indenture provides that the Company and the Trustee may enter into supplemental indentures without the consent of the Holders of Securities for the purpose of making any other provisions with respect to matters arising therein, provided such action will not adversely affect the interests of the Holders of Securities of any series in any material respect;

WHEREAS, this Supplemental Indenture amends Section 701(d) of the Original Indenture with respect to Securities originally issued on or after the date hereof; and

WHEREAS, all things necessary to make this Supplemental Indenture a valid agreement of the Company, in accordance with its terms, have been done.

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE WITNESSETH:

For and in consideration of the premises, it is mutually covenanted and agreed, for the equal and proportionate benefit of the Holders, as follows:

SECTION 1. Defined Terms. All terms used in this Supplemental Indenture and not otherwise defined herein shall have the meanings ascribed to them in the Original Indenture.

SECTION 2. Amendment to Section 701(d). Section 701(d) of the Original

Indenture is hereby amended by inserting immediately after the phrase "in the aggregate" the following:

2

", in the case of Securities initially issued prior to January __, 1994, or exceeding $10,000,000, in the case of Securities initially issued on or after January __, 1994,".

TESTIMONIUM

This Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

LEHMAN BROTHERS INC.

By:

Managing Director
and Treasurer

ATTEST:

- ---
Assistant Secretary

CONTINENTAL BANK, NATIONAL
ASSOCIATION

By:

Vice President

ATTEST:

- ----------
Trust Officer

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the ____ day of January, in the year 1994, before me personally came MICHAEL R. MILVERSTED, to me known, who being by me duly sworn, did depose and say that he resides at 15 Hampton Lane, Stamford, Connecticut; that he is a Managing Director and the Treasurer of Lehman Brothers Inc., one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument bearing the corporate name of said corporation is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that he signed his name thereto by like order.

Notary Public

STATE OF ILLINOIS)
) ss.:
COUNTY OF COOK)

On the ____ day of January, in the year 1994, before me personally came _____, to me known, who being by me duly sworn, did depose and say that he resides at _____; that he is a Vice President of Continental Bank, National Association, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument bearing the corporate name of said corporation is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation; and that he signed his name thereto by like authority.

Notary Public

FORM OF FLOATING RATE NOTE

LEHMAN BROTHERS INC.

FLOATING RATE SENIOR SUBORDINATED NOTE DUE

No. R_____ $ _____

CUSIP # 524909

LEHMAN BROTHERS INC., a corporation duly organized and existing under the laws of Delaware (herein called the "Company", which term includes any successor corporation under the Indenture herein referred to), for value received, hereby promises to pay to
or registered assigns, the principal sum of Dollars on , and to pay interest thereon from and including , or from and including the most recent Interest Payment Date to which interest has been paid or duly provided for, as the case may be, quarterly on the third Wednesday in , , and in each year, commencing , 1993, and at Maturity (each an "Interest Payment Date"), to, but excluding such Interest Payment Date, at the rate of 3-month LIBOR plus % per annum, until the principal hereof is paid or made available for payment; provided, however, that if an Interest Payment Date would otherwise fall on a day that is not a Business Day, such Interest Payment Date will be the following day that is a Business Day; provided, further, that if such day falls in the next calendar month, such Interest Payment Date shall be the preceding day that is a Business Day. The initial interest rate will be set on and the interest rate will reset on the third Wednesday in , , and of each year, commencing (each an "Interest Reset Date"). If any Interest Reset Date would otherwise be a day that is not a London business day, such Interest Reset Date shall be postponed to the next day that is a London business day, except that if such London business day is in the next succeeding calendar month, such Interest Reset Date shall be the immediately preceding London business day. The Interest Determination Date for the initial interest rate will be . The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the fifteenth day (whether or not a Business Day) next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders

of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

Payment of the principal of (and premium, if any) and interest on this Security will be made at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, the City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of the Company payment of interest may be made by check mailed to the address of the person entitled thereto as such address shall appear in the Security Register.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

DATED:

LEHMAN BROTHERS INC.

By

Chief Executive Officer and President

Attest:

Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

CONTINENTAL BANK, NATIONAL ASSOCIATION,

As Trustee

By

Authorized Officer

REVERSE OF FORM OF FLOATING RATE NOTE

Floating Rate Senior Subordinated Note Due

This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and to be issued in one or more series under an Indenture, dated as June 14, 1989 (herein called the "Indenture"), from the Company to Continental Bank, National Association, as Trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof, limited in aggregate principal amount to $.

Set forth below are definitions of terms used with respect to the Securities and not defined in the Indenture.

"Business Day" means any day that is not a Saturday or Sunday, that is a London business day and that, in New York City, is not a day on which banking institutions are generally authorized or required by law or executive order to close.

"Calculation Agent" means the agent appointed by the Company to calculate interest rates for the Floating Rate Notes.

"Interest Determination Date" means the date as of which the interest rate for the Securities is to be calculated, to be effective as of the following Interest Reset Date, which with respect to the Securities is the second London business day prior to the relevant Interest Reset Date.

"LIBOR" means the rate calculated as hereinafter set forth.

"London business day" means any day on which dealings in U.S. dollars are transacted in the London interbank market.

Accrued interest from the date of issuance or from the last date to which interest has been paid is calculated by multiplying the face amount of this Security by an accrued interest factor. This accrued interest factor is computed by adding the interest factors calculated for each day from the date of issuance, or from the last date to which interest has been paid, to the date for which accrued interest is being calculated. The interest factor (expressed as a decimal rounded upwards, if necessary, to the next higher one

hundred-thousandth of a percentage point (e.g., 9.876541%, or .09876541, being rounded to 9.87655%, or .0987655, respectively)) for each such day is computed by dividing the interest rate (expressed as a decimal rounded upwards, if necessary, to the next higher one hundred-thousandth of a percentage point) applicable to such date by 360.

Interest will be determined by the Calculation Agent in accordance with the following provisions:

(i) On each Interest Determination Date, LIBOR will be determined on the basis of the offered rates for deposits in U.S. dollars having a maturity of , which appear on the Reuters Screen LIBO Page as of 11:00 A.M. London time. Such posted offered rates are for value on the second London business day after such Interest Determination Date. If at least two such offered rates appear on the Reuters Screen LIBO Page, the rate in respect of such LIBOR Interest Determination Date will be the arithmetic average (rounded upwards, if necessary, to the next higher one hundred-thousandth of a percentage point) of such offered rates as determined by the Calculation Agent. If fewer than two offered rates appear, LIBOR in respect to such Interest Determination Date will be determined as if the parties had specified the rate described in (ii) below.

(ii) On any Interest Determination Date on which fewer than two offered rates appear on the Reuters Screen LIBO Page as specified in (i) above, LIBOR will be determined on the basis of the rates at which deposits in U.S. dollars are offered by four major banks in the London interbank market selected by the Calculation Agent (the "Reference Banks") at approximately 11:00 A.M., London time, on such Interest Determination Date to prime banks in the London interbank market, having a maturity of , such deposits commencing on the second London business day immediately following such Interest Determination Date and in a principal amount equal to an amount of not less than $1,000,000 that is representative for a single transaction in such market at such time. The Calculation Agent will request the principal London office of each of such Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, LIBOR in respect of such Interest Determination Date will be the arithmetic average (rounded upwards, if necessary, to the next higher one hundred-thousandth of a percentage point) of such quotations. If fewer than two quotations are provided, LIBOR in respect of such Interest Determination Date will be the arithmetic average (rounded upwards, if necessary, to the next higher one hundred-thousandth of a percentage point) of the rates quoted by three major banks in The City of New York selected by the Calculation Agent at approximately 11:00 A.M., New York City time, on such Interest Determination Date (or if such day is not a Business Day, such Interest Determination Date will be the following Business Day, provided that if such day falls in the next calendar month, such Interest Determination Date shall be the next preceding day which is a Business Day) for loans in U.S. dollars

to leading European banks, having a maturity of , such loans commencing on the second London business day immediately following such date and in a principal amount equal to an amount of not less than $1,000,000 that is representative for a single transaction in such market at such time; provided, however, that if the banks in The City of New York selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, LIBOR for the applicable period will be LIBOR in effect on such Interest Determination Date.

This Security shall not be redeemable prior to the Stated Maturity hereof.

The indebtedness evidenced by the Securities of this series, together with any interest accrued thereon and premium, if any, is, to the extent provided in the Indenture, subordinate and subject in right of payment to the prior payment in full of all Senior Indebtedness, as defined in the Indenture, and this Security is issued subject to the provisions of the Indenture, and each Holder hereof, by accepting the same, agrees to and shall be bound by such provisions and authorizes and directs the Trustee in his behalf to take such action as may be necessary or appropriate to acknowledge or effectuate the subordination as provided in the Indenture and appoints the Trustee his attorney-in-fact for any and all such purposes.

REVERSE OF FORM OF FLOATING RATE NOTE (CONT'D)

Floating Rate Senior Subordinated Note Due

As provided in the Indenture, the Company's obligation to pay the principal of the Securities of this series at Stated Maturity shall be suspended if, after giving effect to such payment and the payment of certain other subordinated debt, the Company's "net capital" would be reduced below the minimum amounts of capital to be maintained by the Company as required by the various domestic exchanges, boards of trade and governmental agencies to which it is subject, all with the effect and to the extent provided in the Indenture. If payment is made of the principal of the Securities of this series notwithstanding the foregoing, the Holders of the Securities so paid are required to repay to the Company, its successors or assigns, the sum so paid; provided, however, that any suit for such recovery must be commenced within two years of the date of such payment. Each Holder hereof, by accepting the same, agrees to be bound by such provisions.

The Securities are not subject to any sinking fund.

In case an Event of Default or an Event of Acceleration, as defined in the Indenture, with respect to Securities of this series shall have occurred and be continuing, the principal of all of the Securities of this series, in the case of an Event of Default, shall become, or in the case of an Event of

Acceleration, may be declared and in accordance with such declaration shall become, due and payable and such acceleration or declaration may in certain events be rescinded, in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

Except as hereinabove provided, no reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair (as among the Company, its creditors other than the holders of Senior Indebtedness, as defined in the Indenture, and the Holders of the Securities) the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any) and interest on this Security at the time and place and at the rate and in the coin or currency herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company in any place where the principal of (and premium, if any) and interest, if any, on this Security are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Securities of this series are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover

any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

LEHMAN BROTHERS INC.
THREE WORLD FINANCIAL CENTER
NEW YORK, NEW YORK 10285

January 7, 1994

Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549

Gentlemen:

I am General Counsel of Lehman Brothers Inc., a Delaware corporation (the "Company"). A Registration Statement on Form S-3 (the "Registration Statement"), under the Securities Act of 1933, as amended (the "Act"), was filed by the Company with the Securities and Exchange Commission on the date hereof. The Registration Statement relates to the registration of up to $800,000,000 principal amount of senior subordinated debt securities (the "Debt Securities") which the Company may offer from time to time in one or more series.

In that connection, I or members of my staff have examined and relied upon originals or copies, certified or otherwise identified to our satisfaction, of such documents, corporate records, certificates and instruments relating to the Company as I have deemed relevant and necessary to the formation of the opinion hereinafter set forth. In such examination, I have assumed the genuineness and authenticity of all documents examined by me or members of my staff and all signatures thereon, the legal capacity of all persons executing such documents, the conformity to originals of all copies of documents submitted to us and the truth and correctness of any representations and warranties contained therein.

Based upon the foregoing, I am of the opinion that the Debt Securities are duly authorized, the indenture dated as of June 14, 1989 (the "Indenture") between the Company and Continental Bank, National Association, as Trustee (the "Trustee"), pursuant to which the Debt Securities will be issued, has been duly executed and delivered, and, when the Debt Securities are duly executed by the Company, the Ninth Supplemental Indenture between the Company and the Trustee is duly executed and delivered, the Debt Securities are authenticated by the Trustee in accordance with the terms of the Indenture and are issued and delivered against payment therefor, such Debt Securities will be legally issued and will constitute valid and binding obligations of the Company entitled to

the benefits of the Indenture subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and by an implied covenant of good faith and fair dealing.

In rendering this opinion, I express no opinion as to the laws of any jurisdiction other than the State of New York, the General Corporation Law of the State of Delaware and laws of the United States of America.

I hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to me under the caption "Legal Opinions" in the Registration Statement, without admitting that I am an "expert" under the Act, or the rules and regulations of the Securities and Exchange Commission issued thereunder, with respect to any part of the Registration Statement, including this exhibit.

Very truly yours,

David Marcus
General Counsel

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CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Independent Accountants" in the Registration Statement on Form S-3, dated January 7, 1994, and related Prospectus of Lehman Brothers Inc. (formerly Shearson Lehman Brothers Inc.) for the registration of $800,000,000 of senior subordinated debt securities and in the Post-Effective Amendments to the Registration Statements on Form S-3 (File Nos. 33-28381, 33-9541, 33-4694, 2-95523, and 2-83903) and to the incorporation by reference therein of our report dated February 4, 1993, except for Note 22, as to which the date is March 26, 1993 with respect to the consolidated financial statements and schedules of Lehman Brothers Inc. for the years ended December 31, 1992, December 31, 1991 and December 31, 1990 included in its Annual Report (Form 10-K) for the year ended December 31, 1992, filed with the Securities and Exchange Commission.

Ernst and Young

New York, New York
January 7, 1994

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY
UNDER THE TRUST INDENTURE ACT OF 1939 OF A
CORPORATION DESIGNATED TO ACT AS TRUSTEE

Check if an Application to Determine
Eligibility of a Trustee Pursuant to Section
305(b)(2)

CONTINENTAL BANK, NATIONAL ASSOCIATION
(EXACT NAME OF TRUSTEE AS SPECIFIED IN ITS CHARTER)

36-0947896
(I.R.S. employer
identification no.)

<TABLE>
<S> <C>
231 South LaSalle Street, Chicago, Illinois 60697
(Address of principal executive offices) (Zip code)
</TABLE>

LEHMAN BROTHERS INC.
(EXACT NAME OF OBLIGOR AS SPECIFIED IN ITS CHARTER)

<TABLE>
<S> <C>
Delaware 13-2518466
(State or other jurisdiction (I.R.S. employer
of incorporation or organization) identification no.)
Three World Financial Center 10285
New York, New York (Zip code)
(Address of principal executive
offices)
</TABLE>

Senior Subordinated Debt Securities
(Title of the indenture securities)

- ----------
- ----------

ITEM 1. GENERAL INFORMATION.

FURNISH THE FOLLOWING INFORMATION AS TO THE TRUSTEE:

(A) NAME AND ADDRESS OF EACH EXAMINING OR SUPERVISING AUTHORITY TO WHICH IT IS SUBJECT.

Comptroller of the Currency, Washington, D.C.

Chicago Clearing House Association, 164 W. Jackson Boulevard, Chicago, Illinois.

Federal Deposit Insurance Corporation, Washington, D.C.

The Board of Governors of the Federal Reserve System, Washington, D.C.

(B) WHETHER IT IS AUTHORIZED TO EXERCISE CORPORATE TRUST POWERS.

Yes.

ITEM 2. AFFILIATIONS WITH THE OBLIGOR.

IF THE OBLIGOR IS AN AFFILIATE OF THE TRUSTEE, DESCRIBE EACH SUCH AFFILIATION.

The obligor is not an affiliate of the trustee.

ITEM 3. VOTING SECURITIES OF THE TRUSTEE.

FURNISH THE FOLLOWING INFORMATION AS TO EACH CLASS OF VOTING SECURITIES OF THE TRUSTEE:

AS OF JANUARY 6, 1994

<TABLE>
<CAPTION>

COL. A	COL. B
TITLE OF CLASS	AMOUNT OUTSTANDING
-	-
<S>	<C>

</TABLE>

Not applicable by virtue of response to Item 13.

ITEM 4. TRUSTEESHIPS UNDER OTHER INDENTURES.

IF THE TRUSTEE IS A TRUSTEE UNDER ANOTHER INDENTURE UNDER WHICH ANY OTHER SECURITIES, OR CERTIFICATES OF INTEREST OR PARTICIPATION IN ANY OTHER SECURITIES, OF THE OBLIGOR ARE OUTSTANDING, FURNISH THE FOLLOWING INFORMATION:

(A) TITLE OF THE SECURITIES OUTSTANDING UNDER EACH SUCH OTHER INDENTURE.

Not applicable by virtue of response to Item 13.

(B) A BRIEF STATEMENT OF THE FACTS RELIED UPON AS A BASIS FOR THE CLAIM THAT NO CONFLICTING INTEREST WITHIN THE MEANING OF SECTION 310(B)(1) OF THE ACT ARISES AS A RESULT OF THE TRUSTEESHIP UNDER ANY SUCH OTHER INDENTURE, INCLUDING A STATEMENT AS TO HOW THE INDENTURE SECURITIES WILL RANK AS COMPARED WITH THE SECURITIES ISSUED UNDER SUCH OTHER INDENTURE.

Not applicable by virtue of response to Item 13.

ITEM 5. INTERLOCKING DIRECTORATES AND SIMILAR RELATIONSHIPS WITH THE OBLIGOR OR UNDERWRITERS.

IF THE TRUSTEE OR ANY OF THE DIRECTORS OR EXECUTIVE OFFICERS OF THE TRUSTEE IS A DIRECTOR, OFFICER, PARTNER, EMPLOYEE, APPOINTEE, OR

REPRESENTATIVE OF THE OBLIGOR OR OF ANY UNDERWRITER FOR THE OBLIGOR, IDENTIFY EACH SUCH PERSON HAVING ANY SUCH CONNECTION AND STATE THE NATURE OF EACH SUCH CONNECTION.

Not applicable by virtue of response to Item 13.

ITEM 6. VOTING SECURITIES OF THE TRUSTEE OWNED BY THE OBLIGOR OR ITS OFFICIALS.

FURNISH THE FOLLOWING INFORMATION AS TO THE VOTING SECURITIES OF THE TRUSTEE OWNED BENEFICIALLY BY THE OBLIGOR AND EACH DIRECTOR, PARTNER AND EXECUTIVE OFFICER OF THE OBLIGOR.

AS OF JANUARY 6, 1994

<TABLE>
<CAPTION>

COL. A	COL. B	COL. C	COL. D
NAME OF OWNER	TITLE OF CLASS	AMOUNT OWNED BENEFICIALLY	PERCENTAGE OF VOTING SECURITIES REPRESENTED BY AMOUNT GIVEN IN COL. C
<S>	<C>	<C>	<C>

</TABLE>

Not applicable by virtue of response to Item 13.

ITEM 7. VOTING SECURITIES OF THE TRUSTEE OWNED BY UNDERWRITERS OR THEIR OFFICIALS.

FURNISH THE FOLLOWING INFORMATION AS TO THE VOTING SECURITIES OF THE TRUSTEE OWNED BENEFICIALLY BY EACH UNDERWRITER FOR THE OBLIGOR AND EACH DIRECTOR, PARTNER, AND EXECUTIVE OFFICER OF EACH SUCH UNDERWRITER.

AS OF JANUARY 6, 1994

<TABLE>
<CAPTION>

COL. A	COL. B	COL. C	COL. D
NAME OF OWNER	TITLE OF CLASS	AMOUNT OWNED BENEFICIALLY	PERCENTAGE OF VOTING SECURITIES REPRESENTED BY AMOUNT GIVEN IN COL. C
<S>	<C>	<C>	<C>

</TABLE>

Not applicable by virtue of response to Item 13.

ITEM 8. SECURITIES OF THE OBLIGOR OWNED OR HELD BY THE TRUSTEE.

FURNISH THE FOLLOWING INFORMATION AS TO SECURITIES OF THE OBLIGOR OWNED BENEFICIALLY OR HELD AS COLLATERAL SECURITY FOR OBLIGATIONS IN DEFAULT BY THE TRUSTEE:

AS OF JANUARY 6, 1994

<TABLE>
<CAPTION>

COL. A	COL. B	COL. C	COL. D
TITLE OF CLASS	WHETHER THE SECURITIES ARE VOTING OR NONVOTING SECURITIES	AMOUNT OWNED BENEFICIALLY OR HELD AS COLLATERAL SECURITY FOR OBLIGATIONS IN DEFAULT	PERCENTAGE OF CLASS REPRESENTED BY AMOUNT GIVEN IN COL. C
<S>	<C>	<C>	<C>

</TABLE>

Not applicable by virtue of response to Item 13.

ITEM 9. SECURITIES OF UNDERWRITERS OWNED OR HELD BY THE TRUSTEE.

IF THE TRUSTEE OWNS BENEFICIALLY OR HOLDS AS COLLATERAL SECURITY FOR OBLIGATIONS IN DEFAULT ANY SECURITIES OF AN UNDERWRITER FOR THE OBLIGOR, FURNISH THE FOLLOWING INFORMATION AS TO EACH CLASS OF SECURITIES OF SUCH UNDERWRITER ANY OF WHICH ARE SO OWNED OR HELD BY THE TRUSTEE.

AS OF JANUARY 6, 1994

<TABLE>
<CAPTION>

COL. A	COL. B	COL. C	COL. D
NAME OF ISSUER AND TITLE OF CLASS	AMOUNT OUTSTANDING	AMOUNT OWNED BENEFICIALLY OR HELD AS COLLATERAL SECURITY FOR OBLIGATIONS IN DEFAULT BY TRUSTEE	PERCENT OF CLASS REPRESENTED BY AMOUNT GIVEN IN COL. C
<S>	<C>	<C>	<C>

</TABLE>

Not applicable by virtue of response to Item 13.

ITEM 10. OWNERSHIP OR HOLDINGS BY THE TRUSTEE OF VOTING SECURITIES OF CERTAIN AFFILIATES OR SECURITY HOLDERS OF THE OBLIGOR.

IF THE TRUSTEE OWNS BENEFICIALLY OR HOLDS AS COLLATERAL SECURITY FOR OBLIGATIONS IN DEFAULT VOTING SECURITIES OF A PERSON WHO, TO THE KNOWLEDGE OF THE TRUSTEE (1) OWNS 10 PERCENT OR MORE OF THE VOTING SECURITIES OF THE OBLIGOR OR (2) IS AN AFFILIATE, OTHER THAN A SUBSIDIARY, OF THE OBLIGOR, FURNISH THE FOLLOWING INFORMATION AS TO THE VOTING SECURITIES OF SUCH PERSON.

AS OF JANUARY 6, 1994

<TABLE>
<CAPTION>

COL. A	COL. B	COL. C	COL. D
NAME OF ISSUER AND TITLE OF CLASS	AMOUNT OUTSTANDING	AMOUNT OWNED BENEFICIALLY OR HELD AS COLLATERAL SECURITY FOR OBLIGATIONS IN DEFAULT BY TRUSTEE	PERCENT OF CLASS REPRESENTED BY AMOUNT GIVEN IN COL. C
<S>	<C>	<C>	<C>

</TABLE>

Not applicable by virtue of response to Item 13.

ITEM 11. OWNERSHIP OR HOLDINGS BY THE TRUSTEE OF ANY SECURITIES OF A PERSON OWNING 50 PERCENT OR MORE OF THE VOTING SECURITIES OF THE OBLIGOR.

IF THE TRUSTEE OWNS BENEFICIALLY OR HOLDS AS COLLATERAL SECURITY FOR OBLIGATIONS IN DEFAULT ANY SECURITIES OF A PERSON WHO, TO THE KNOWLEDGE OF THE TRUSTEE, OWNS 50 PERCENT OR MORE OF THE VOTING SECURITIES OF THE OBLIGOR, FURNISH THE FOLLOWING INFORMATION AS TO EACH CLASS OF SECURITIES OF SUCH PERSON ANY OF WHICH ARE SO OWNED OR HELD BY THE TRUSTEE.

AS OF JANUARY 6, 1994

<TABLE>
<CAPTION>

COL. A	COL. B	COL. C	COL. D
NAME OF ISSUER AND TITLE OF CLASS	AMOUNT OUTSTANDING	AMOUNT OWNED BENEFICIALLY OR HELD AS COLLATERAL SECURITY FOR OBLIGATIONS IN DEFAULT BY TRUSTEE	PERCENT OF CLASS REPRESENTED BY AMOUNT GIVEN IN COL. C
<S>	<C>	<C>	<C>

</TABLE>

Not applicable by virtue of response to Item 13.

ITEM 12. INDEBTEDNESS OF THE OBLIGOR TO THE TRUSTEE.

EXCEPT AS NOTED IN THE INSTRUCTIONS, IF THE OBLIGOR IS INDEBTED TO THE TRUSTEE, FURNISH THE FOLLOWING INFORMATION:

AS OF JANUARY 6, 1994

<TABLE>
<CAPTION>

COL. A	COL. B	COL. C
NATURE OF INDEBTEDNESS	AMOUNT OUTSTANDING	DATE DUE
<S>	<C>	<C>

</TABLE>

Not applicable by virtue of response to Item 13.

ITEM 13. DEFAULTS BY THE OBLIGOR.

(A) STATE WHETHER THERE IS OR HAS BEEN A DEFAULT WITH RESPECT TO THE SECURITIES UNDER THIS INDENTURE. EXPLAIN THE NATURE OF ANY SUCH DEFAULT.

There is not nor has there been a default with respect to the securities under this indenture.

(B) IF THE TRUSTEE IS A TRUSTEE UNDER ANOTHER INDENTURE UNDER WHICH ANY OTHER SECURITIES, OR CERTIFICATES OF INTEREST OR PARTICIPATION IN ANY OTHER SECURITIES, OF THE OBLIGOR ARE OUTSTANDING, OR IS TRUSTEE FOR MORE THAN ONE OUTSTANDING SERIES OF SECURITIES UNDER THE INDENTURE, STATE WHETHER THERE HAS BEEN A DEFAULT UNDER ANY SUCH INDENTURE OR SERIES, IDENTIFY THE INDENTURE OR SERIES AFFECTED, AND EXPLAIN THE NATURE OF ANY SUCH DEFAULT.

There is not nor has there been a default with respect to the securities under this indenture. The trustee is not a trustee under

another indenture under which securities issued by the obligor are outstanding.

ITEM 14. AFFILIATIONS WITH THE UNDERWRITERS.

IF ANY UNDERWRITER IS AN AFFILIATE OF THE TRUSTEE, DESCRIBE EACH SUCH AFFILIATION.

Not applicable by virtue of response to Item 13.

ITEM 15. FOREIGN TRUSTEE.

IDENTIFY THE ORDER OR RULE PURSUANT TO WHICH THE FOREIGN TRUSTEE IS AUTHORIZED TO ACT AS SOLE TRUSTEE UNDER INDENTURES QUALIFIED OR TO BE QUALIFIED UNDER THE ACT.

Not applicable.

ITEM 16. LIST OF EXHIBITS.

LIST BELOW ALL EXHIBITS FILED AS A PART OF THIS STATEMENT OF ELIGIBILITY.

1. A copy of the Articles of Association of Continental Bank, National Association as now in effect, incorporated herein by reference to Exhibit 1 to T-1; Registration No. 33-40462.

2. A copy of the certificate of authority to commence business, incorporated herein by reference to Exhibit 2 to T-1; Registration No. 33-26747.

3. A copy of the authorization to exercise corporate trust powers, incorporated herein by reference to Exhibit 3 of Amendment No. 1 to T-1; Registration No. 2-51075.

4. A copy of the existing By-laws of Continental Bank, National Association as now in effect, incorporated herein by reference to Exhibit 4 to T-1; Registration No. 33-43020.

5. Not applicable by virtue of response to Item 13.

6. The consent of the trustee required by Section 321(b) of the Trust Indenture Act of 1939, incorporated herein by reference to Exhibit 6 of Amendment No. 1 to T-1; Registration No. 2-51075.

7. A copy of the latest report of condition of the trustee published pursuant to law or the requirements of its supervising or examining authority, filed herewith.

8. Not applicable.

9. Not applicable.

SIGNATURE

PURSUANT TO THE REQUIREMENTS OF THE TRUST INDENTURE ACT OF 1939, THE TRUSTEE, CONTINENTAL BANK, NATIONAL ASSOCIATION, A NATIONAL BANKING ASSOCIATION ORGANIZED AND EXISTING UNDER THE LAWS OF THE UNITED STATES OF AMERICA, HAS DULY CAUSED THIS STATEMENT OF ELIGIBILITY TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, ALL IN THE CITY OF CHICAGO, AND STATE OF ILLINOIS, ON

THE 6TH DAY OF JANUARY, 1994.

CONTINENTAL BANK, NATIONAL
ASSOCIATION

By /s/ GREG JORDAN
Greg Jordan
Vice President

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EXHIBIT 7

(OFFICIAL PUBLICATION)
REPORT OF CONDITION
CONSOLIDATING DOMESTIC AND FOREIGN SUBSIDIARIES OF THE

(LOGO) CONTINENTAL BANK, NATIONAL ASSOCIATION

Charter No. 13639 National Bank Region No. 7

In the state of Illinois at the close of business on September 30, 1993 published in response to call made by Comptroller of the Currency, under title 12, United States Code, Section 161.

<TABLE>
<CAPTION>

ASSETS		IN MILLIONS
<S>		<C>
Cash and balances due from depository institutions:		
Noninterest-bearing balances and currency and coin		$ 1,790
Interest-bearing balances		2,043
Securities		1,534
Federal funds sold and securities purchased under agreements to resell in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBFs:		
Federal funds sold		303
Securities purchased under agreements to resell		1,011
Loans and lease financing receivables:		
Loans and leases, net of unearned income	$11,950	
LESS: Allowance for loan and lease losses	350	
LESS: Allocated transfer risk reserve	0	
Loans and leases, net of unearned income, allowance, and reserve		11,600
Assets held in trading accounts		1,565
Premises and fixed assets (including capitalized leases)		215
Other real estate owned		131
Investments in unconsolidated subsidiaries and associated companies		0
Customers'liability to this bank on acceptances outstanding		110
Intangible assets		1
Other assets		1,226
TOTAL ASSETS		$21,529

LIABILITIES		
Deposits:		
In domestic offices		$ 9,817
Noninterest-bearing	$ 2,485	
Interest-bearing	7,332	
In foreign offices, Edge and Agreement subsidiaries, and IBFs		3,981
Non-interest bearing	$ 103	
Interest-bearing	3,878	
Federal funds purchased and securities sold under agreements to repurchase in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBFs:		
Federal funds purchased		688
Securities sold under agreements to repurchase		584
Demand notes issued to the U.S. Treasury		1,385
Other borrowed money		1,417
Mortgage indebtedness and obligations under capitalized leases		0
Bank's liability on acceptances executed and outstanding		110
Notes and debentures subordinated to deposits		397
Other liabilities		1,065
TOTAL LIABILITIES		19,444
Limited-life preferred stock		0
EQUITY CAPITAL		
Perpetual preferred stock		0
Common stock		685
Surplus		827
Undivided profits and capital reserves		578
LESS: Net unrealized loss on marketable equity securities		0
Cumulative foreign currency translation adjustments		(5)
TOTAL EQUITY CAPITAL		2,085
TOTAL LIABILITIES, LIMITED-LIFE PREFERRED STOCK, AND EQUITY CAPITAL		$21,529

</TABLE>

I, John J. Higgins, Controller of the above-named bank do hereby declare that this Report of Condition is true and correct to the best of my knowledge and belief.

/s/ John J. Higgins
Controller

November 10, 1993