FORM 424B3

Prospectus filed pursuant to Rule 424(b)(3)

Filing Date: **1994-03-16**
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FILER

TOYOTA MOTOR CREDIT CORP

CIK:**834071**| IRS No.: **953775816** | State of Incorp.:**CA** | Fiscal Year End: **0930**
Type: **424B3** | Act: **33** | File No.: **033-52359** | Film No.: **94516302**
SIC: **6141** Personal credit institutions

Mailing Address
19001 S WESTERN AVE
TORRANCE CA 90509

Business Address
19001 S WESTERN AVE
TORRANCE CA 90509-2958
3107153700

<TABLE>
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Pricing Supplement dated March 3, 1994	
(To Prospectus dated March 9, 1994 and	Rule 424 (b)(3)
Prospectus Supplement dated March 9, 1994	File No. 33-52359

TOYOTA MOTOR CREDIT CORPORATION

Medium-Term Note - Indexed

Face Amount: $112,700,000	Trade Date: March 3, 1994
Issue Price: 100%	Original Issue Date: March 17, 1994
Interest Rate: 4.25%	Net Proceeds to Issuer: $112,530,950
Interest Payment Dates: September 17, 1994 and March 17, 1995	Agent's Discount or Commission: 0.15%
Stated Maturity Date: March 17, 1995	

Calculation Agent: Merrill Lynch Capital Services, Inc.

Day Count Convention:
- [x] 30/360 for the period from March 17, 1994 to March 17, 1995
- [ ] Actual/Actual for the period from to
- [ ] Other (see attached) to

Redemption:
- [x] The Notes cannot be redeemed prior to the Stated Maturity Date.
- [ ] The Notes may be redeemed prior to Stated Maturity Date.
  Initial Redemption Date:
  Initial Redemption Percentage: %
  Annual Redemption Percentage Reduction: % until Redemption Percentage is 100% of the Principal Amount.

Repayment:
- [x] The Notes cannot be repaid prior to the Stated Maturity Date.
- [ ] The Notes can be repaid prior to the Stated Maturity Date at the option of the holder of the Notes.
  Optional Repayment Date(s):
  Repayment Price: %

Currency:
Specified Currency: U.S. dollars
(If other than U.S. dollars, see attached)
Minimum Denominations:
(Applicable only if Specified Currency is other than U.S. dollars)

Original Issue Discount: [ ] Yes [x] No
Total Amount of OID:
Yield to Maturity:
Initial Accrual Period:

Form: [x] Book-entry [ ] Certificated

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Merrill Lynch & Co.

ADDITIONAL TERMS OF THE NOTES

Interest

The Medium-Term Notes offered by this Pricing Supplement (the "Notes") will bear interest, payable in U.S. dollars from the Original Issue Date, at the fixed rate of 4.25% per annum of the Face Amount of such Note.

Principal Payment at Maturity

Principal payable on the Notes (the "Indexed Principal Amount") will be payable in U.S. dollars on the date of Maturity in an amount equal to the sum of the following:

```
  (i)  25% x [Face Amount + (Face Amount x DUR 1 x (6.19% - FRF  7 Swap Rate ))]
 (ii)  10% x [Face Amount + (Face Amount x DUR 2 x (6.06% - DEM  5 Swap Rate ))]
(iii)  30% x [Face Amount + (Face Amount x DUR 3 x (6.41% - DEM  7 Swap Rate ))]
 (iv)  10% x [Face Amount + (Face Amount x DUR 4 x (6.01% - NGL  5 Swap Rate ))]
  (v)  10% x [Face Amount + (Face Amount x DUR 5 x (7.13% - GBP  5 Swap Rate ))]
 (vi)  15% x [Face Amount + (Face Amount x DUR 6 x (7.54% - GBP 10 Swap Rate ))]
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provided that the payment in respect of the Indexed Principal Amount shall in no event be less than zero.

For purposes of these Notes, the following terms shall have the following meanings:

"FRF 7 Swap Rate" means, on the Determination Date, the offered quotation for the seven-year French Franc Swap Rate, quoted on a constant maturity basis and expressed as a percentage as displayed on the Dow Jones Telerate Service on Page 42284 (or such other page as may replace such page on such service for the purpose of displaying the seven-year French Franc swap rate) as of 11:00 A.M., London time, on such Determination Date. If no rate appears on such page on such date at such time, FRF 7 Swap Rate on such Determination Date will be the offered quotation for the seven-year French Franc Swap Rate, quoted on a constant maturity basis and expressed as a percentage, as determined by the Calculation Agent as follows: the Calculation Agent will request each of five Reference Dealers to provide the Calculation Agent with its offered quotation for the seven-year French Franc Swap Rate at approximately 11:00 a.m. (London time) on the Determination Date and in an amount that is representative of a single transaction for such Reference Dealer at such time. The Calculation Agent will disregard the highest and lowest of the five quotations and "FRF 7 Swap Rate" will be the arithmetic mean (rounded to the nearest one hundred-thousandth of a percentage point, with five one millionths of a percentage point rounded upwards) of the remaining three quotations. If the Calculation Agent is able to obtain quotations from less than five but more than one Reference Dealer, the FRF 7 Swap Rate shall be determined without disregarding any

quotations. If the Calculation Agent is unable to obtain quotations from at least two Reference Dealers, the FRF 7 Swap Rate will be determined by the Calculation Agent by such method as the Calculation Agent determines, in good faith, in its sole discretion.

"seven-year French Franc Swap Rate" means, in general, a per annum fixed rate of interest quoted on a 30/360 day basis and paid annually that a hypothetical fixed rate payor would be prepared to pay under an interest-rate-swap or -exchange agreement, and for which such payor would expect to receive, in return, a floating rate of interest over a period of seven years equal to the then-prevailing six-month French Franc LIBOR rate.

"DEM 5 Swap Rate" means, on the Determination Date, the offered quotation for the five-year Deutsche Mark Swap Rate, quoted on a constant maturity basis and expressed as a percentage as displayed on the Dow Jones Telerate Service on Page 42280 (or such other page as may replace such page on such service for the purpose of displaying the five-year Deutsche Mark swap rate) as of 11:00 A.M., London time, on such Determination Date. If no rate appears on such page on such date at such time, DEM 5 Swap Rate on such Determination Date will be the offered quotation for the five-year Deutsche Mark Swap Rate, quoted on a constant maturity basis and expressed as a percentage, as determined by the Calculation Agent as follows: the Calculation Agent will request each of five Reference Dealers to provide the Calculation Agent with its offered quotation for the five-year Deutsche Mark Swap Rate at approximately 11:00 a.m. (London time) on the Determination Date and in an amount that is representative of a single transaction for such Reference Dealer at such time. The Calculation Agent will disregard the highest and lowest of the five quotations and "DEM 5 Swap Rate" will be the arithmetic mean (rounded to the nearest one hundredth-thousandth of a percentage point, with five one millionths of a percentage point rounded upwards) of the remaining three quotations. If the Calculation Agent is able to obtain quotations from less than five but more than one Reference Dealer, the DEM 5 Swap Rate shall be determined without disregarding any quotations. If the Calculation Agent is unable to obtain quotations from at least two Reference Dealers, the DEM 5 Swap Rate will be determined by the Calculation Agent by such method as the Calculation Agent determines, in good faith, in its sole discretion.

"five-year Deutsche Mark Swap Rate" means, in general, a per annum fixed rate of interest quoted on a 30/360 day basis and paid annually that a hypothetical fixed rate payor would be prepared to pay under an interest-rate-swap or -exchange agreement, and for which such payor would expect to receive, in return, a floating rate of interest over a period of five years equal to the then-prevailing six-month Deutsche Mark LIBOR rate.

"DEM 7 Swap Rate" means, on the Determination Date, the offered quotation for the seven-year Deutsche Mark Swap Rate, quoted on a constant maturity basis and expressed as a percentage as displayed on the Dow Jones Telerate Service on Page 42280 (or such other page as may replace such page on such service for the purpose of displaying the seven-year Deutsche Mark swap rate) as of 11:00 A.M., London time, on such Determination Date. If no rate appears on such page on such date at such time, DEM 7 Swap Rate on such Determination Date will be the offered quotation for the seven-year Deutsche Mark Swap Rate, quoted on a constant maturity basis and expressed as a percentage, as determined by the Calculation Agent as follows: the Calculation Agent will request each of five Reference Dealers to provide the Calculation Agent with its offered quotation for the seven-year Deutsche Mark Swap Rate at approximately 11:00 a.m. (London time) on the Determination Date and in an amount that is representative of a single transaction for such Reference Dealer at such time. The Calculation Agent will disregard the highest and lowest of the five quotations and "DEM 7 Swap Rate" will be the arithmetic mean (rounded to the nearest one hundred-thousandth of a percentage point, with five one millionths of a percentage point rounded upwards) of the remaining three quotations. If the Calculation Agent is able to obtain quotations from less than five but more than one Reference Dealer, the DEM 7 Swap Rate shall be determined without disregarding any quotations. If the Calculation Agent is unable to obtain quotations from at least two Reference Dealers, the DEM 7 Swap Rate will be determined by the Calculation Agent by such method as the Calculation Agent determines, in good faith, in its sole discretion.

"seven-year Deutsche Mark Swap Rate" means, in general, a per annum fixed rate of interest quoted on a 30/360 day basis and paid annually that a hypothetical fixed rate payor would be prepared to pay under an interest-rate-swap or -exchange agreement, and for which such payor would expect to receive, in return, a floating rate of interest over a period of seven years equal to the then-prevailing six-month Deutsche Mark LIBOR rate.

"NLG 5 Swap Rate" means, on the Determination Date, the offered quotation for the five-year Dutch Guilder Swap Rate, quoted on a constant maturity basis and expressed as a percentage as displayed on the Dow Jones Telerate Service on

Page 42286 (or such other page as may replace such page on such service for the purpose of displaying the five-year Dutch Guilder swap rate) as of 11:00 A.M., London time, on such Determination Date. If no rate appears on such page on such date at such time, NGL 5 Swap Rate on such

Determination Date will be the offered quotation for the five-year Dutch Guilder Swap Rate, quoted on a constant maturity basis and expressed as a percentage, as determined by the Calculation Agent as follows: the Calculation Agent will request each of five Reference Dealers to provide the Calculation Agent with its offered quotation for the five-year Dutch Guilder Swap Rate at approximately 11:00 a.m. (London time) on the Determination Date and in an amount that is representative of a single transaction for such Reference Dealer at such time. The Calculation Agent will disregard the highest and lowest of the five quotations and "NGL 5 Swap Rate" will be the arithmetic mean (rounded to the nearest one hundred-thousandth of a percentage point, with five one millionths of a percentage point rounded upwards) of the remaining three quotations. If the Calculation Agent is able to obtain quotations from less than five but more than one Reference Dealer, the NLG 5 Swap Rate shall be determined without disregarding any quotations. If the Calculation Agent is unable to obtain quotations from at least two Reference Dealers, the NLG 5 Swap Rate will be determined by the Calculation Agent by such method as the Calculation Agent determines, in good faith, in its sole discretion.

"five-year Dutch Guilder Swap Rate" means, in general, a per annum fixed rate of interest quoted on a 30/360 day basis and paid annually that a hypothetical fixed rate payor would be prepared to pay under an interest-rate-swap or -exchange agreement, and for which such payor would expect to receive, in return, a floating rate of interest over a period of five years equal to the then-prevailing six-month Dutch Guilder LIBOR rate.

"GBP 5 Swap Rate" means, on the Determination Date, the offered quotation for the five-year Pound Sterling Swap Rate, quoted on a constant maturity basis and expressed as a percentage as displayed on the Dow Jones Telerate Service on Page 42279 (or such other page as may replace such page on such service for the purpose of displaying the five-year Pound Sterling swap rate) as of 11:00 A.M., London time, on such Determination Date. If no rate appears on such page on such date at such time, GBP 5 Swap Rate on such Determination Date will be the offered quotation for the five-year Pound Sterling Swap Rate, quoted on a constant maturity basis and expressed as a percentage, as determined by the Calculation Agent as follows: the Calculation Agent will request each of five Reference Dealers to provide the Calculation Agent with its offered quotation for the five-year Pound Sterling Swap Rate at approximately 11:00 a.m.

(London time) on the Determination Date and in an amount that is representative of a single transaction for such Reference Dealer at such time. The Calculation Agent will disregard the highest and lowest of the five quotations and "GBP 5 Swap Rate" will be the arithmetic mean (rounded to

the nearest one hundred-thousandth of a percentage point, with five one millionths of a percentage point rounded upwards) of the remaining three quotations. If the Calculation Agent is able to obtain quotations from less than five but more than one Reference Dealer, the GBP 5 Swap Rate shall be determined without disregarding any quotations. If the Calculation Agent is unable to obtain quotations from at least two Reference Dealers, the GBP 5 Swap Rate will be determined by the Calculation Agent by such method as the Calculation Agent determines, in good faith, in its sole discretion.

"five-year Pound Sterling Swap Rate" means, in general, a per annum fixed rate of interest quoted on a 30/360 day basis and paid semi-annually that a hypothetical fixed rate payor would be prepared to pay under an interest-rate-swap or -exchange agreement, and for which such payor would expect to receive, in return, a floating rate of interest over a period of five years equal to the then-prevailing six-month Pound Sterling LIBOR rate.

"GBP 10 Swap Rate" means, on the Determination Date, the offered quotation for the ten-year Pound Sterling Swap Rate, quoted on a constant maturity basis and expressed as a percentage as displayed on the Dow Jones Telerate Service on Page 42279 (or such other page as may replace such page on such service for the purpose of displaying the ten-year Pound Sterling swap rate) as of 11:00 A.M., London time, on such Determination Date. If no rate appears on such page on such date at such time, GBP 10 Swap Rate on such Determination Date will be the offered quotation for the ten-year Pound Sterling Swap Rate, quoted on a constant maturity basis and expressed as a percentage, as determined by the Calculation Agent as follows: the Calculation Agent will request each of five Reference Dealers to provide the Calculation Agent with its offered quotation for the ten-year Pound Sterling Swap Rate at approximately 11:00 a.m. (London time) on the Determination Date and in an amount that is representative of a single transaction for such Reference Dealer at such time. The Calculation Agent will disregard the highest and lowest of the five quotations and "GBP 10 Swap Rate" will be the arithmetic mean (rounded to the nearest one hundred-thousandth of a percentage point, with five one millionths of a percentage point rounded upwards) of the remaining three quotations. If the Calculation Agent is able to obtain quotations from less than five but more than one Reference Dealer, the GBP 10 Swap Rate shall be determined without disregarding any quotations. If the Calculation Agent is unable to obtain quotations from at least two Reference Dealers, the GBP 10 Swap Rate will be determined by the Calculation Agent by such method as the Calculation Agent determines, in good faith, in its sole discretion.

"ten-year Pound Sterling Swap Rate" means, in general, a per annum fixed rate of interest quoted on a 30/360 day basis and paid semi-annually that a hypothetical fixed rate payor would be prepared to pay under an interest-rate-swap or -exchange agreement, and for which such payor would expect to receive, in return, a floating rate of interest over a period of ten years equal to the then-prevailing six-month Pound Sterling LIBOR rate.

"Calculation Agent" means Merrill Lynch Capital Services, Inc. In the absence of manifest error, the determination by the Calculation Agent of the amounts payable under these Notes shall be final and binding on TMCC and the holders of the Notes.

"Determination Date" means the date that is the second Business Day in London, England immediately prior to the date of Maturity for the Notes, provided that such date is also a Business Day in (i) Frankfurt, Germany, (for purposes of determining the DEM 5 Swap Rate and the DEM 7 Swap Rate); (ii) Paris, France (for purposes of determining the FRF 7 Swap Rate); and (iii) Amsterdam, the Netherlands (for purposes of determining the NLG 5 Swap Rate). If any such date is not a Business Day in Frankfurt, Germany (for the DEM 5 Swap Rate and the DEM 7 Swap Rate), Paris, France (for the FRF 7 Swap Rate) or Amsterdam, the Netherlands (for the NLG 5 Swap Rate), the Determination Date shall mean the next preceding date that is a Business Day in London, England and Frankfurt, Germany, Paris, France and Amsterdam, the Netherlands, as applicable.

"Business Day" means any day, other than a Saturday or Sunday, that is a day on which (i) banks are generally open for business in the City of New York and (ii) in which dealings in deposits in each of French Francs, Deutsche Marks, Dutch Guilders and the Pound Sterling are transacted in the London interbank market (including dealings in foreign exchange and foreign currency).

"Reference Dealer" means any major bank or banking corporation in London, selected in good faith by the Calculation Agent which will provide offered quotations on the relevant swap rate.

"DUR" shall be calculated in accordance with the following formula (expressed as a percentage and rounded to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upwards):

DUR = 1/R x { 1-[(1+R/F)^(-F x N)] }

where

N = For DUR 1, is 7; for DUR 2, is 5; for DUR 3, is 7; for DUR 4, is 5; for DUR 6, is 5; and DUR 7, is 10.

R = For DUR 1, is the FRF 7 Swap Rate; for DUR 2, is the DEM 5 Swap Rate; for DUR 3, is the DEM 7 Swap Rate; for DUR 4, is the NGL 5 Swap Rate; for DUR 5, is the GBP 5 Swap Rate; and for DUR 6, is the GBP 10 Swap Rate.

F = For the FRF 7 Swap Rate, DEM 5 Swap Rate, DEM 7 Swap Rate, and NGL 5 Swap Rate, is 1; and for the GBP 5 Swap Rate and GBP 10 Swap Rate, is 2.

Historical Swap Rate and Basket CMS Rate

The six tables below set forth, respectively, the FRF 7 Swap Rate, the DEM 5 Swap Rate, the DEM 7 Swap Rate, the NLG 5 Swap Rate, the GBP 5 Swap Rate and the GBP 10 Swap Rate on the ending dates of the indicated calendar quarters, as reported by Reuters Information Services, Inc ("Reuters"). The fluctuations in these Swap Rates that have occurred in the past are not necessarily indicative of fluctuations that may occur over the term of the Notes, which may be greater or less than those that have occurred in the past. On March 15, 1994, the FRP 7 Swap Rate as reported by Reuters was 6.21%, the DEM 5 Swap Rate as reported by Reuters was 5.89%, the DEM 7 Swap Rate, as reported by Reuters was 6.21%, the NGL 5 Swap Rate as reported by Reuters was 5.95%, the GBP 5 Swap Rate as reported by Reuters was 6.86%, the GBP 10 Swap Rate as reported by Reuters was 7.43%.

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Historical FRF 7 Swap Rate

Year/Quarter End	FRF 7 Swap Rate %
<S>	<C>
1989: 1st Q	9.38%
2nd Q	9.25%
3rd Q	9.45%
4th Q	9.80%

1990: 1st Q	10.40%
2nd Q	10.21%
3rd Q	10.99%
4th Q	10.50%
1991: 1st Q	9.70%
2nd Q	9.68%
3rd Q	9.34%
4th Q	9.18%
1992: 1st Q	9.24%
2nd Q	9.22%
3rd Q	9.26%
4th Q	8.48%
1993: 1st Q	7.60%
2nd Q	6.63%
3rd Q	6.07%
4th Q	5.57%

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Historical DEM 5 Swap Rate

Year/Quarter End	DEM 5 Swap Rate %
<S>	<C>
1989: 1st Q	7.17%
2nd Q	7.15%
3rd Q	7.55%
4th Q	8.12%
1990: 1st Q	9.07%
2nd Q	9.03%
3rd Q	9.32%
4th Q	9.35%
1991: 1st Q	8.88%
2nd Q	8.86%
3rd Q	8.91%
4th Q	8.80%
1992: 1st Q	8.63%
2nd Q	8.74%

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<S>	<C>
3rd Q	7.97%
4th Q	7.18%
1993: 1st Q	6.53%
2nd Q	6.47%

3rd Q	5.81%
4th Q	5.15%

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Historical DEM 7 Swap Rate

Year/Quarter End	DEM 7 Swap Rate %
<S>	<C>
1989: 1st Q	7.19%
2nd Q	7.15%
3rd Q	7.46%
4th Q	8.06%
1990: 1st Q	8.95%
2nd Q	9.03%
3rd Q	9.31%
4th Q	9.23%
1991: 1st Q	8.70%
2nd Q	8.75%
3rd Q	8.70%
4th Q	8.44%
1992: 1st Q	8.37%
2nd Q	8.52%
3rd Q	7.93%
4th Q	7.30%
1993: 1st Q	6.66%
2nd Q	6.63%
3rd Q	6.08%
4th Q	5.56%

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Historical NLG 5 Swap Rate

Year/Quarter End	NLG 5 Swap Rate %
<S>	<C>
1989: 1st Q	7.48%
2nd Q	7.50%
3rd Q	7.95%
4th Q	8.43%
1990: 1st Q	9.14%
2nd Q	9.14%
3rd Q	9.46%

4th Q	9.60%

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<S>	<C>
1991: 1st Q	9.07%
2nd Q	9.02%
3rd Q	9.05%
4th Q	9.04%
1992: 1st Q	8.75%
2nd Q	8.82%
3rd Q	8.17%
4th Q	7.21%
1993: 1st Q	6.62%
2nd Q	6.34%
3rd Q	5.83%
4th Q	5.22%

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Historical GBP 5 Swap Rate

Year/Quarter End	GBP 5 Swap Rate %
<S>	<C>
1989: 1st Q	11.39%
2nd Q	11.87%
3rd Q	12.30%
4th Q	12.43%
1990: 1st Q	13.80%
2nd Q	12.54%
3rd Q	12.78%
4th Q	11.67%
1991: 1st Q	10.97%
2nd Q	10.85%
3rd Q	10.07%
4th Q	10.39%
1992: 1st Q	10.46%
2nd Q	9.47%
3rd Q	8.70%
4th Q	7.83%
1993: 1st Q	7.19%
2nd Q	7.28%
3rd Q	6.68%
4th Q	5.90%

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Historical GBP 10 Swap Rate

Year/Quarter End	GBP 10 Swap Rate %
1989: 1st Q	11.07%
2nd Q	11.39%
3rd Q	11.62%
4th Q	11.93%
1990: 1st Q	13.18%
2nd Q	12.31%
3rd Q	12.64%
4th Q	11.57%
1991: 1st Q	10.97%
2nd Q	11.02%
3rd Q	10.11%
4th Q	10.32%
1992: 1st Q	10.33%
2nd Q	9.44%
3rd Q	9.05%
4th Q	8.46%
1993: 1st Q	7.99%
2nd Q	7.88%
3rd Q	7.15%
4th Q	6.40%

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Certain U.S. Tax Considerations

The following is a summary of the principal United States federal income tax consequences of ownership of the Notes. The summary concerns initial U.S. Holders (as defined in the Prospectus Supplements) who hold the Notes as capital assets and does not deal with tax consequences to special classes of holders such as dealers in securities or currencies, persons who hold the Notes as a hedge against currency risks or who hedge any currency risks of holding the Notes, tax-exempt investors, or U. S. Holders whose functional currency is other than the United States dollar. The discussion below is based upon the Internal Revenue Code of 1986, as amended, and final, temporary and proposed

United States Treasury Regulations. Persons considering the purchase of the Notes should consult with and rely solely upon their own tax advisors concerning the application of United States federal income tax laws to their particular situations as well as any consequences arising under the laws of any other domestic or foreign taxing jurisdiction.

Except where otherwise indicated below, this summary supplements and, to the extent inconsistent, replaces the discussion under the caption "United States Taxation" in the Prospectus Supplement.

General. There are no regulations (except the 1986 Proposed Regulations described below), published rulings or judicial decisions involving the characterization, for United States federal income tax purposes, of securities with terms substantially the same as the Notes. Although the matter is not entirely free from doubt and the Notes may be subject to different characterizations by the Internal Revenue Service (the "IRS"), this discussion assumes that the Notes will be treated as debt in their entirety. The Company intends to treat the Notes as debt obligations of the Company for United States federal income tax purposes and when required, intends to file information returns with the IRS in accordance with such treatment in the absence of any change or clarification in the law, by regulation or otherwise, requiring a different characterization. If the Notes are not in fact treated as debt obligations of the Company for United States federal income tax purposes, then the United States federal income tax treatment of the purchase, ownership and disposition of the Notes could differ from that discussed below.

U.S. Holders. Under general principles of current United States federal income tax law, payments of interest on a debt instrument generally will be taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received in accordance with the U.S. Holder's regular method of tax accounting. Although the matter is not free from doubt, under the foregoing principles, the amount payable with respect to a Note at the 4.25% Interest Rate (the "Interest Payments") should be includible in income by a U.S. Holder as ordinary interest at the time the Interest Payments are accrued or are received in accordance with such Holder's regular method of tax accounting.

Under these same principles, upon retirement of a Note, the excess of the Indexed Principal Amount over the Face Amount, if any, should be treated as contingent interest and generally should be includible in income by a U.S. Holder as ordinary interest on the date that the Indexed Principal Amount is accrued (i.e., determined) or when such amount is received (in accordance with the U.S. Holder's regular method of tax accounting). However, if upon maturity the Indexed Principal Amount is equal to or less than the Face Amount, then, under general principles of current United States federal income tax law, a Note should be treated as retired on the Stated Maturity Date for an amount equal to the Indexed Principal Amount. A U.S. Holder generally would recognize a capital loss under such circumstances in an amount equal to the excess of the U.S. Holder's tax basis in the Note (i.e., the Face Amount) over the Indexed Principal Amount. Upon the sale or exchange of a Note prior to the date of Maturity, a U.S. Holder should recognize taxable gain or loss equal to the difference between the amount realized upon such sale or exchange (other than amounts representing accrued and unpaid interest) and the Face Amount (i.e., the U.S. Holder's tax basis in the Note). Such gain or loss generally should be short-term capital gain or loss.

In 1986, the Treasury Department issued proposed regulations (the "1986 Proposed Regulations") under the original issue discount provisions of the Code concerning contingent payment debt obligations. If the 1986 Proposed Regulations are ultimately adopted in their current form, such regulations would apply to the Notes and, if applied, would cause the timing and character of income, gain or loss recognized on a Note to differ from the timing and character of income, gain or loss recognized on a Note discussed above.

The 1986 Proposed Regulations set forth a special set of rules applicable to debt instruments that fail to provide for total noncontingent payments at least equal to their issue price. Under these rules, where the total noncontingent payments on a debt instrument are less than its issue price, the debt instrument will be treated as having contingent interest and principal and payments on the Notes will be taxed as described below regardless of whether such payments are designated as "principal" or "interest." Applying these rules, the Interest Payments are treated as a return of principal. Then, if the sum of the Interest Payments and the Indexed Principal Amount (the "Total Redemption Amount") equals or exceeds the Face Amount, the Notes would be treated as having been retired on the date of Maturity for an amount equal to the Face Amount. The excess of the Total Redemption Amount over the Face Amount (the "Excess Amount"), if any, would be treated as ordinary interest and would be includible in income by a U.S. Holder on the date on which the Indexed Principal Amount is determined, regardless of the U.S. Holder's regular method of tax accounting. Under these rules, if the Total Redemption Amount is less than the Face Amount, then a U.S. Holder should recognize a short-term capital loss in an amount equal to the excess of the Face Amount over the Total Redemption Amount.

There is no assurance that the 1986 Proposed Regulations will be adopted or, if adopted, adopted in their current form to apply to short term obligations such as the Notes. On January 19, 1993, the Treasury Department issued proposed regulations (the "1993 Proposed Regulations"), concerning contingent payment debt obligations, which would have replaced the 1986 Proposed Regulations and would have provided for a set of rules with respect to the timing and character of income and loss recognition on contingent payment debt obligations that differ from the rules contained in the 1986 Proposed Regulations with respect to the timing and character of income and loss recognition. The 1993 Proposed Regulations, which would have applied to debt instruments issued 60 days or more after the date the 1993 Proposed Regulations became final, generally provided for several alternative timing methods which would have required annual interest accruals to reflect either a market yield for the debt instrument, determined as of the issue date, or a reasonable estimate of the performance of contingencies. The amount of interest deemed to accrue in a taxable year pursuant to such methods would have been currently includible in income by a U.S. Holder, with subsequent adjustments to the extent that the estimate of income was incorrect. In addition, under the 1993 Proposed Regulations, any gain realized on the sale, exchange or retirement of a contingent payment debt obligation generally would have been treated entirely as ordinary interest income and any loss realized on the sale, exchange or retirement of a contingent payment debt obligation generally would have been treated entirely as a capital loss. However, on January 22, 1993, the United States Government's Office of Management and Budget announced that certain proposed regulations which had not yet been published in the Federal Register, including the 1993 Proposed Regulations, had been withdrawn. Accordingly, it is unclear whether the 1993 Proposed Regulations will be re-proposed or, if re-proposed, what effect, if any, such regulations would have on the Notes. It should also be noted that proposed Treasury regulations are not binding upon either the IRS or taxpayers prior to becoming effective as temporary or final regulations. Prospective investors in the Notes are urged to consult their own tax advisors regarding the application of the 1986 Proposed Regulations, if any, and the effect of possible changes to the 1986 Proposed Regulations.