The ChicagoBoard Options Exchange

REGULATORY CIRCULAR NO. 98-110
October 15, 1998

TO: Members and Member Organizations

ATTENTION: Chief Executive Officers/Managing Partners/
Compliance Officers/Senior Registered Options Principals

FROM: Capital Markets Division

SUBJECT: Salomon Smith Barney Holdings Inc.
Principal-Protected Equity Linked Notes based upon
the Nikkei 225 Index, due ___*___ , 2003

The aforementioned Notes are the subject of a Preliminary Prospectus Supplement and will commence trading at a date to be announced (Trading Symbol: NSB; CUSIP NO. 79549B 77 6)

NSB are senior unsecured debt obligations of Salomon Smith Barney Holdings Inc. and will be issued in denominations of $10, and integral multiples thereof. NSB does not provide for any payments prior to maturity nor is it subject to early redemption. At maturity, Holders will be entitled to receive, with respect to each Note, the principal amount ($10) **plus** a “Supplemental Redemption Amount”, if any, based on the percentage increase in the Nikkei 225 Index**, reduced by an Adjustment Factor ***. In no event will the Supplemental Redemption Amount be less than zero.

The Preliminary Prospectus Supplement sets forth the following formula for calculating the Supplemental Redemption Amount:

$$\$10 \quad \textbf{times} \quad \left[\frac{\textbf{Adjusted Ending Value minus Starting Value*}}{\textbf{Starting Value*}}\right]$$

As more fully described in the Preliminary Prospectus Supplement, the Starting Value will equal the closing value of the Index on the date the Securities are priced for initial sale to the public (the “Pricing Date”). The Starting Value will be announced on the Pricing Date and set forth in the final Prospectus Supplement. The Adjusted Ending Value will equal the average of the values of the Nikkei 225 Index, reduced by an Adjustment Factor, to be set forth in the final Prospectus Supplement (see footnotes below).

The purpose of this circular is to provide basic information to Members and Member Organizations regarding a proposed new issue of Equity Linked Notes based upon the Nikkei 225 Index and to advise of certain compliance responsibilities when handling transactions in these securities. This is not a sales document and is not intended to be distributed to customers.

* To be announced.

** The percentage increase will be calculated using an average value of the Index during a period that is expected to be between 12 and 36 months prior to maturity (the “Calculation Period”).

*** The Adjustment Factor is expected to be between 0.75% and 1.25% per annum and will result in a total reduction in the adjusted value of the Nikkei 225 Index used to determine the Supplemental Redemption Amount at maturity of between 3.69% and 6.10%.

THE NIKKEI 225 INDEX:

The Nikkei 225 Index is calculated, published and disseminated by Nihon Keizai Shimbun, Inc. The Index is currently based on 225 highly capitalized stocks trading on the Tokyo Stock Exchange (TSE) representing a broad cross-section of Japanese industries. All 225 underlying stocks are listed in the First Section of the TSE and are among the most actively traded stocks on the TSE. Futures and options contracts on the Nikkei 225 are traded on the Singapore International Monetary Exchange Ltd., the Osaka Securities Exchange and the Chicago Mercantile Exchange.

The Nikkei 225 is a modified, price-weighted index. The stock prices used in the calculation of the Index are those reported by the primary market for the underlying stocks, currently the TSE and is calculated once per minute during TSE trading hours. The final closing value is disseminated each day prior to the opening of trading in the U.S.

CERTAIN RISK FACTORS:

- If the Adjusted Ending Value does not exceed the Starting Value, Holders of NSB will only receive the principal amount ($10 per Security) at maturity, and no Supplemental Redemption Amount. This may be true even if the value of the Nikkei 225 Index, as reduced by the Adjustment Factor, exceeds the Starting Index Value at some point during the life of the Notes.

- Because the Adjusted Ending Value will be based upon the average closing values of the Index on a certain day of each month during the _*_month Calculation Period prior to maturity, as adjusted by the Adjustment Factor, a significant increase in the Index subsequent to issuance may be substantially or entirely offset by subsequent decreases in the value of the Index during or prior to the Calculation Period. In addition, a high Index value at the close of one or more months during the Calculation Period may be substantially or entirely offset by a low Index value at the close of one or more months during such period.

- The use of an average over the Calculation Period, rather than one closing Index value at maturity, to calculate the Adjusted Ending Value could result in a lower or higher payment at maturity then would otherwise be the result.

- Because the Adjusted Ending Value of the Nikkei 225 Index may be less than, equal to or only slightly greater than the Starting Value, the effective yield to maturity on the Notes (which are linked to the amount by which such Adjusted Ending Value exceeds such Starting Value) may be less than that which would be payable on a conventional fixed-rate debt security of the Issuer. In addition, the return of only $10 in respect of each note held at maturity may not compensate the Holder for any opportunity cost implied by inflation and other factors relating to the time value of money.

- Any return on the Notes will be based on the appreciation of the Nikkei 225 Index, as reduced by the Adjustment Factor and not on dividends paid on the stocks underlying the Index. Therefore, a return on the Notes, if any, will not be the same as the return that could have been earned if Holders owned each of the stocks underlying the Index and received dividends.

- Because the actual values of the Nikkei 225 Index during the Calculation Period will be reduced by the Adjustment Factor, the actual return on the Notes will be less than the return on a similar indexed instrument that was directly linked to the Index.

- The trading value of NSB may be affected by a number of interrelated factors including, among other things, changes in the level of interest rates, the volatility of the Index, the time remaining to maturity, dividend rates on the stocks comprising the Index, real or anticipated changes in the credit ratings or financial condition of the companies whose common stock are included in the Index, the creditworthiness of the Issuer, as well as political, economic and other developments affecting the stocks included in the Index.

- Any depreciation of the currencies in the countries in which the stocks underlying the Index are traded may adversely affect the value of the Index.

OTHER IMPORTANT INFORMATION:

- Investors should consider the tax consequences of investing in NSB. See "Certain United States Federal Income Tax Considerations" in the Preliminary Prospectus Supplement.

- The Notes are backed only by Salomon Smith Barney Holdings Inc. and do not give Holders of NSB the right to receive any of the stocks comprising the Index.

- Ownership of NSB will be maintained in book-entry form by or through The Depository Trust Company ("DTC"). Beneficial owners will not have the right to receive physical certificates evidencing their ownership except under certain limited circumstances described in the Preliminary Prospectus Supplement.

The foregoing information has been excerpted from the Preliminary Prospectus Supplement, and the Exchange assumes no responsibility for the accuracy or completeness of such information. Members and associated persons of member organizations are advised to read both the Prospectus and the Preliminary Prospectus Supplement.

REGULATORY CONSIDERATIONS:

MARGIN AND CAPITAL REQUIREMENTS

For margin and capital purposes NSB will be considered an equity security. A long NSB position will have an initial/maintenance margin requirement equal to 50%/25% of market value, respectively. For capital purposes NSB positions will be subject to a haircut equal to 15% of market value. At this time, there are no haircut offsets for related derivative securities. Therefore, members should be aware that making markets in or trading NSB, or any structured product that does not qualify as an options hedge, will subject the member to the provisions of SEC Rule 15c3-1 (the "Net Capital Rule"). Members should refer to Regulatory Circular RG 97-40 for further information regarding capital requirements and structured products.

SALES PRACTICES

NSB is considered an equity security and is subject to the provisions of Rule 30.50. A customer's account is not required to be options approved. Members and associated persons of Member Organizations should take such steps as may be reasonably necessary to assure that prospective purchasers of NSB reach an investment decision only after carefully considering the suitability of NSB in light of their particular financial circumstances and objectives.

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Questions regarding suitability of customers transactions in these securities should be directed to Barry Szurgot (312) 786-7756 and questions regarding marginability should be directed to Jim Adams (312) 786-7718. General product questions should be directed to Nick Parcharidis of the Capital Markets Division (212) 803-1411.