REGULATORY CIRCULAR RG99-41

February 16, 1999

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.
Callable Principal-Protected Equity Linked Notes
based upon the S&P 500® Index, due __*__ , 2006

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. __*___).

NSB are senior unsecured debt obligations of Salomon Smith Barney Holdings Inc. (the "Issuer") and will be issued in denominations of $10, and integral multiples thereof. The Issuer may call all (but not less than all) of the Notes on any Business Day during any of the 30 day periods beginning on the anniversary of the Date of Issue in the year 2002, 2003, 2004 and 2005, at prices of $16.00, $18.00, $20.00, and $22.00 per Note, respectively. If not called, Holders of NSB will, at maturity, receive the principal amount of each Note, **plus** a ✌Supplemental Redemption Amount✍, if any, based on the percentage increase in the S&P 500® 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:

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

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 Adjusted Ending Value will equal the average of the values of the S&P 500 Index at the close of the market from and including the 7^{th} to and including the 2^{nd} business day prior to maturity, reduced by an Adjustment Factor.

The purpose of this circular is to provide basic information to Members and Member Organizations regarding a proposed new issue of Equity Linked Notes and to advise Members and Member Organizations 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 actual Adjustment Factor will be announced prior to trading, but is expected to be between 8.43% and 11.63%.

THE S&P 500 INDEX:

The Index is published by Standard & Poor's, a division of The McGraw-Hill Companies, Inc., and is intended to provide an indication of the pattern of common stock price movement. As of January 1, 1999, the 500 companies included in the Index represented approximately 91% of the aggregate Market Value of the common stocks traded on the New York Stock Exchange (the "NYSE"), and approximately 78% of the aggregate market value of the United States domestic, public companies.

CERTAIN RISK FACTORS:

- Unless the Adjusted Ending Value exceeds the Starting Value, the Supplemental Redemption Amount will be zero. This may be true even if the value of the S&P 500 Index, as reduced by the Adjustment Factor, exceeds the Starting Value at some point during the life of the Notes.

- Any return on the Notes will be based on the appreciation of the S&P 500 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 had received dividends.

- It is expected that the secondary market price of the Notes during the Call Period will not exceed the applicable Call Price due to the Call Feature.

- Because the Call Price is determined by reference to a pre-established schedule, if called, investor's may receive less than they may expect at such time, based on the then current value of the Index.

- The effective yield to maturity on the Notes may be less than that which the Issuer would pay on a conventional fixed-rate debt security.

- The return on the Notes will be less than the return on a similar indexed instrument that was directly linked to the S&P 500 because of the Adjustment Factor.

- 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.

OTHER IMPORTANT INFORMATION:

- The Notes do not provide for any periodic payments of interest.

- 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✍).

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 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%, respectively. For capital purposes NSB positions will be subject to a haircut equal to 15% of market value. 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 RG97-40 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 at (312) 786-7713; questions regarding marginability should be directed to Jim Adams at (312) 786-7718; general product questions should be directed to Nick Parcharidis of the Capital Markets Division in N.Y. at (212) 803-1411.