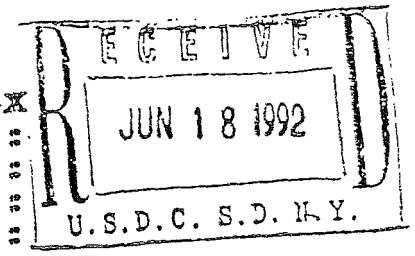
UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK



UNITED STATES OF AMERICA,

Plaintiff,

-against-

92 Civ. 3700

CERTAIN PROPERTY OWNED BY SALOMON BROTHERS INC,

Defendant,

SALOMON BROTHERS INC,

Real Party in Interest.

COMPETITIVE IMPACT STATEMENT

Pursuant to Section 2(b) of the Antitrust Procedures and Penalties Act, 15 U.S.C. § 16(b)-(h), the United States submits this Competitive Impact Statement relating to the proposed Final Judgment submitted for entry in this civil antitrust forfeiture proceeding.

I.

NATURE AND PURPOSE OF THE PROCEEDING

On May 20, 1992, the United States filed a civil antitrust forfeiture complaint alleging that Salomon Brothers Inc ("Salomon") and others had conspired to restrain competition in markets for United States Treasury securities, in violation of Section 1 of the Sherman Act, 15 U.S.C. § 1. The complaint

seeks forfeiture of property owned by Salomon pursuant to the alleged conspiracy under Section 6 of the Sherman Act, 15 U.S.C. § 6.

The complaint alleges that, beginning in or about June 1991 and continuing at least into July 1991, Salomon and its co-conspirators violated Section 1 of the Sherman Act by agreeing to coordinate their actions in trading their positions in the two-year Treasury notes issued by the Treasury of the United States on May 31, 1991 ("May two-year notes"). The alleged conspiracy affected the price of the notes in the secondary market (the post-auction market for purchase and sale of the securities), and the interest rate paid by persons, such as Salomon, that lent the notes in exchange for cash.

The United States and Salomon have stipulated to the entry of a proposed Final Judgment, which will grant the relief sought in the complaint and terminate this action.

II.

DESCRIPTION OF THE PRACTICES INVOLVED IN THE ALLEGED VIOLATION

The Treasury finances the debt of the United States by issuing Treasury securities in the form of bonds, notes and bills. Purchasers of Treasury bonds (with maturities in excess of ten years) and notes (with maturities of two to ten years) receive the right to semi-annual payments of interest at a specific rate (the "coupon rate") and repayment of the principal at maturity. Purchasers of Treasury bills (with maturities of

less than two years) buy them at a discount off the principal, and receive the principal at maturity.

Treasury bonds, notes and bills ("Treasury securities") are sold by the Treasury through periodic auctions conducted mainly by and through the Federal Reserve System, especially the Federal Reserve Bank of New York ("New York Fed"). At each such auction, the Treasury awards securities to the bidders willing to accept the lowest yield levels (effectively, interest rates) on their cash.

Several days before an auction, the Treasury announces the size of the issue to be auctioned. Trading in the when-issued market for that issue begins immediately thereafter, and continues until the day, generally one week after the auction, when the Treasury settles with successful bidders, transmitting to them the new issue in exchange for payment. After settlement, trading in the issued Treasury security continues in the secondary market until the maturity date, when the issue is redeemed.

In every when-issued trade, there is a seller and a buyer. The seller agrees to deliver a specified quantity of Treasury securities of a particular issue to the buyer on settlement day (in this case May 31, 1991). The seller is said to be "short" the issue, and the buyer "long." On settlement day, the buyer must pay for its purchase and the seller must deliver the securities it is short. The seller may obtain the securities it is required to deliver either by purchasing them (at the Treasury auction or in a when-issued trade) or by borrowing them

in the financing market, generally through a "repo" transaction, and delivering the borrowed securities to the buyer.1/

Buyers of Treasury securities frequently engage in repo transactions to finance their purchases, in effect, borrowing cash and using the Treasury securities as collateral. When there is no "specific" demand for the issue a buyer owns, the buyer will borrow the cash it needs to finance its position at the "general collateral rate." When there is a specific demand for an issue because short sellers need to borrow the issue in order to deliver it to persons who have bought the security, owners can lend the issue in exchange for cash at a "special rate." The issue generally is said to be "on special" when the interest rate that owners (such as Salomon, in the case of the May two-year notes) are required to pay to borrow cash against the issue is significantly lower than the general collateral

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1/ Repurchase agreements ("repos") are used to finance positions in Treasury securities. Under these standard-form agreements, the holder, or owner, of a security agrees to sell the security to the buyer, or borrower, and to buy it back the next day or within a short time. In a repo transaction, possession of Treasury securities is transferred by one party to another with a simultaneous agreement that the second party will later return the securities to the first party. The following are types of repo transactions: (a) a repurchase agreement ("repo"); (b) a reverse repurchase agreement ("reverse repo"); and (c) a borrow vs. pledge.

rate.2/ The lower the rate at which an owner finances its position in an issue, the greater its daily "positive carry."3/

Each Treasury security of a particular issue is unique and bears an identification number (known as a "CUSIP number") which distinguishes it from all other securities. In this case, all May 1993 two-year notes (all of which were issued on the same date, May 31, 1991) bore the same CUSIP number. Persons who sell short an issue in the when-issued market must deliver that issue to the purchaser at settlement; they cannot substitute another Treasury issue. As a result, when short sellers do not purchase sufficient securities at the Treasury auction to cover their short sales, there can be an unusually heavy demand for a particular issue at and after the time of settlement, causing the price of the issue, relative to Treasury securities of comparable maturities, to increase in the secondary market. In

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2/ A Treasury security may trade "on special" in the collateral markets for various reasons. Special rates could be the result of ordinary market forces, but could also be induced by persons acting together to distort normal market forces. A technique well known to Salomon at the time was for a trader to withhold a portion of its position in the security from the "specials" market in order to constrict supply and to drive up the price of the security in that market. When this is done, the remainder of the position is financed at "general" collateral rates. Potentially, if the holders of an issue withhold enough of it from the "special" market, some percentage of the issue might be financed at interest rates approaching zero.

3/ "Positive carry" is the difference between the coupon on the security and cost of financing the security. For example, an owner of a 7% Treasury bond who borrows money at 6% to pay for it is enjoying positive carry of 1%, or 100 basis points. This phenomenon is due to the existence of the repo market, which enables buyers to string together a series of low-interest overnight loans, rather than to take out a loan for the entire anticipated term of the investment at a higher interest rate.

this case, there was a substantial short position in the issue that short sellers did not cover at the auction.

Likewise, if the supply of an issue is artificially constricted by agreement among the holders of the issue, or among firms holding long positions, the cost of borrowing the security to make delivery increases.4/ When the cost of purchasing an issue in the secondary market or the cost of borrowing it through a financing transaction is significantly different than the cost of buying or borrowing securities of comparable maturities, a "squeeze" is said to occur.

Absent the conspiracy alleged in the complaint, Salomon would have had to compete with its co-conspirators in the financing market to finance its long position in the May two-year notes. Likewise, absent the conspiracy alleged, Salomon would have been required to compete against them in the when-issued and secondary markets to sell the issue. Instead, as a result of the conspiracy, competition between and among Salomon and its co-conspirators was reduced or eliminated.

As charged in the complaint, in or about June 1991, Salomon and its co-conspirators agreed on a scheme to coordinate their

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4/ Due to the manner in which this market works, the increased cost of borrowing the security occurs when short sellers earn lower interest rates on money they lend to holders in order to borrow the security overnight or for a short term. The cost of borrowing the securities increases when short sellers -- who must borrow the security to avoid a default (failure to deliver or "fail") on their contractual obligations -- receive, say, only 4.25% on the money they lend when, if the issue were not "on special," they would have been able to borrow the securities in the repo market and earn a higher interest rate, say, 5.75%.

transactions in the May 1991 notes. This scheme had the effect of limiting the supply of May two-year notes available in the secondary and financing markets, thereby ensuring that persons who had sold May two-year notes short in the when-issued market could obtain such notes only by purchasing them at artificially high and non-competitive prices in the secondary market or by borrowing them in exchange for cash at artificially low and non-competitive special rates in the financing market. This course of conduct continued for a period of time during which Salomon and its co-conspirators earned supracompetitive rates on transactions in the notes that are the subject of this action.

Through purchases at the auction and in the when-issued market, Salomon and its co-conspirators obtained substantial positions in the May two-year notes. Indeed, during June and part of July, 1991, Salomon and its co-conspirators controlled essentially 100% of the lendable securities of the May two-year notes potentially available to satisfy the security-specific delivery obligations of the short sellers.

As part of the alleged scheme, Salomon and its co-conspirators agreed to coordinate their financing efforts by limiting the supply of May two-year notes made available for financing. The effect of this agreement, as noted earlier, was substantially to reduce or eliminate competition among the co-conspirators to lend May two-year notes in financing transactions.

As part of the alleged scheme, Salomon and its co-conspirators communicated frequently on the subject of their activities or planned activities with respect to May two-year notes. The co-conspirators assured each other that they: (a) would continue to maintain substantial long positions in the May two-year notes and (b) would limit the supply of May two-year notes they would make available to the secondary and financing markets from the positions they controlled.

In addition to causing substantial monetary injury to short sellers, it is likely that the conspiracy harmed the United States. As noted in the Joint Report on the Government Securities Market issued by the Treasury, the SEC and the Federal Reserve Board, an acute, protracted squeeze resulting from illegal coordinated conduct, such as the one alleged here, "can cause lasting damage to the marketplace, especially if market participants attribute the shortage to market manipulation. Dealers may be more reluctant to establish short positions in the future, which could reduce liquidity and make it marginally more difficult for the Treasury to distribute its securities without disruption."5/

5/ See Department of the Treasury, Securities and Exchange Commission, Board of Governors of the Federal Reserve System; Joint Report on the Government Securities Market at 10 (January 1992).

III.

EXPLANATION OF THE PROPOSED FINAL JUDGMENT

The United States and Salomon have stipulated that the Court may enter the proposed Final Judgment after compliance with the Antitrust Procedures and Penalties Act, 15 U.S.C. § 16(b)-(h). The proposed Final Judgment provides that its entry does not constitute any evidence or admission by any party with respect to any issue of fact or law. Under the provisions of Section 2(e) of the Antitrust Procedures and Penalties Act, 15 U.S.C. §16(e), the proposed Final Judgment may not be entered unless the Court finds that entry is in the public interest. Paragraph 4 of the proposed Final Judgment sets forth such a finding. The proposed Final Judgment also provides for dismissal of the action with prejudice.

The Department believes that the proposed Final Judgment is in the public interest. The proposed Final Judgment provides an adequate remedy for the alleged violation. It provides for asset forfeiture in an amount tied to the profits from the alleged conspiracy and will provide appropriate deterrence for future illegal conduct.

Pursuant to the proposed Final Judgment, Salomon will pay $27.5 million (plus interest accruing at a rate of 3.875% from May 20, 1992 to the date of payment) to the United States within three business days of the entry of the Final Judgment. This payment reflects a cash settlement in lieu of forfeiture of the actual securities held pursuant to the alleged conspiracy.

On the same date that this action was filed, the Department of Justice and the Securities and Exchange Commission ("SEC") reached a global settlement with Salomon to resolves the firm's liability under the securities laws, the False Claims Act, the antitrust laws (with one exception), and the common law for certain specified conduct. The terms of that settlement provide that Salomon pay $290 million--$190 million in fines and forfeitures (including the forfeiture in this action) and establish a $100 million fund to be used to compensate victims of its misconduct. In addition, Salomon and the SEC agreed to a Final Judgment providing equitable relief under the securities laws. The settlement with the Department is attached as Exhibit A.

The Department believes that the proposed Final Judgment serves the cause of deterrence. The asset forfeiture proposed is itself substantial in amount and should serve as a warning of the possible consequences to others who might be inclined to emulate the behavior. Moreover, potential antitrust violators will be deterred from engaging in the kind of anticompetitive conduct charged here because the complaint describes with particularity the unlawful activity subject to the enforcement action.

IV.

REMEDIES AVAILABLE TO POTENTIAL PRIVATE LITIGANTS

Section 4 of the Clayton Act, 15 U.S.C. § 15, provides that any person who has been injured as a result of conduct prohibited by the antitrust laws may bring suit in federal court to recover three times the damages suffered, as well as costs and reasonable attorney's fees. Pursuant to the Settlement Agreement between Salomon and the United States, Salomon will pay $100 million into a fund to be available for damages claims from private parties that have been injured by its conduct. Entry of the proposed Final Judgment itself will neither impair nor assist the bringing of such actions. Under the provisions of Section 5(a) of the Clayton Act, 15 U.S.C. § 16(a), the Judgment has no prima facie effect in any subsequent lawsuits that may be brought against Salomon in this matter.

V.

PROCEDURES AVAILABLE FOR MODIFICATION OF THE PROPOSED FINAL JUDGMENT

As provided by the Antitrust Procedures and Penalties Act, any person believing that the proposed Final Judgment should be modified may submit written comments to Constance K. Robinson, Chief, Communications and Finance Section, U.S. Department of Justice, Antitrust Division, 555 Fourth Street, N.W., Room 8104, Washington, D.C. 20001, within the 60-day period provided by the Act. These comments, and the Department's responses, will be filed with the Court and published in the Federal Register.

All comments will be given due consideration by the Department of Justice, which remains free to withdraw its consent to the proposed Judgment at any time prior to entry. The proposed Final Judgment provides that the Court retains jurisdiction over this action, and the parties may apply to the Court for any order necessary or appropriate for the modification, interpretation or enforcement of the Final Judgment.

VI.

ALTERNATIVES TO THE PROPOSED FINAL JUDGMENT

The proposed Final Judgment provides the relief that the United States sought in its complaint and, thus, there is no need for litigation on the basis of this complaint.

The Department has authority to seek equitable relief under Section 4 of the Sherman Act, 15 U.S.C. § 4. The Department, however, concluded that the public interest would not be served by injunctive relief in this particular case. The Department considered injunctive relief which would have prohibited Salomon from agreeing with, requesting, or directing another person to withhold securities from either the financing or secondary markets or disclosing to any other person its plan, or that of anyone else, to do so, and from entering into certain relationships with other holders of an issue in circumstances in which the quantity of the issue available for repo transactions could be limited by agreement between Salomon and other holders.

Given the fact that Salomon and other similarly situated firms serve not only as primary dealers, but also as market-makers, traders and brokers, it would have been extremely difficult to specify prohibited conduct without interposing a long list of caveats, exceptions and provisos to avoid undue inhibition of legitimate transactions. Such an injunction could very well have taken on an excessively regulatory character, placing the Court and the Department in the role of regulators of the Government Securities Market. Because participants in the Government Securities Market are subject to extensive regulation by other expert agencies, the Department determined that interposing an additional form of regulation in the context of an antitrust injunction could have had unintended consequences. Moreover, after considering the circumstances -- including Salomon's extensive cooperation in the investigation and the extraordinary steps it has taken to prevent recurrence of the violation -- the Department concluded that injunctive relief would not have served any important purpose. Salomon undertook significant changes in its business operations, including dismissing government traders and personnel and replacing the Chairman and Vice Chairman.

In making this determination, the Department consulted with

and considered the views of experts in the government securities field, including the United States Department of the Treasury, the United States Securities and Exchange Commission, the Board of Governors of the Federal Reserve System and the New York Fed. These agencies exercise to varying degrees authority over the critical function of marketing debt obligations of the United States government.

The Department believes that the $27.5 million, plus interest, in Section 6 relief it obtained in this case is a satisfactory resolution. If approved, this amount would represent the largest forfeiture or other penalty ever paid to the government by a defendant in an antitrust case. In addition, the Department decided that the substantial asset forfeiture provided for in the Final Judgment would provide a substantial deterrent to future anticompetitive conduct in the Treasury securities market.

VII.

DETERMINATIVE MATERIALS AND DOCUMENTS

Although it was not determinative in the Department's deliberations in the sense specified in Section 2(b) of the Antitrust Procedures and Penalties Act, 15 U.S.C. § 16(b), the Department is attaching as Exhibit B a letter to Attorney General William P. Barr from Secretary of the Treasury Nicholas F. Brady, Federal Reserve Board Chairman Alan Greenspan,

Securities and Exchange Commission Chairman Richard C. Breeden and New York Fed President E. Gerald Corrigan.

Respectfully submitted,

Geoffrey Swaebe, Jr.
Attorney
U.S. Department of Justice
Antitrust Division
Room 3630
26 Federal Plaza
New York, N.Y. 10278-0140
(212) 264-0652

CERTIFICATE OF SERVICE

I, Geoffrey Swaebe, Jr., an attorney in the Department of Justice Antitrust Division, certify that on this date I have caused to be served by hand the attached COMPETITIVE IMPACT STATEMENT upon the following counsel for Salomon Brothers Inc listed below, in the matter of United States v. Certain Property Owned by Salomon Brothers Inc (92 Civ. 3700).

Frederick A. O. Schwartz, Esq.
Cravath, Swaine & Moore
Worldwide Plaza
825 Eighth Avenue
New York, NY 10019-7415

Geoffrey Swaebe, Jr.

June 18, 1992.

EXHIBIT A

CIVIL SETTLEMENT AGREEMENT
BETWEEN SALOMON INC, SALOMON BROTHERS INC, AND
THE UNITED STATES DEPARTMENT OF JUSTICE

This Settlement Agreement ("Agreement"), dated May 20, 1992, is entered into between the United States Department of Justice (the "Department of Justice"), Salomon Inc and Salomon Brothers Inc ("SBI"). The terms of this Agreement are as follows:

1. Contemporaneously with the effective date of this Agreement, the Department of Justice and the United States Securities and Exchange Commission (the "SEC") are filing against one or both of Salomon Inc and SBI civil complaints seeking penalties, fines, forfeitures, damages and injunctive relief.

2. Salomon Inc or SBI shall, at the time specified in paragraph 10, pay the sum of $290 million as follows:

> $190 million shall be paid to the United States of America. Of this amount, $55 million shall be forfeited to the Department of Justice Asset Forfeiture Fund pursuant to 15 U.S.C. § 6 and 18 U.S.C. § 981(a)(1)(c) and $135 million shall be paid to the United States in respect of claims of the Department of Justice under 31 U.S.C. § 3729 and under common law and claims of the SEC set forth in the complaint filed by it referred to above. Payment of such $135 million shall be made as directed by the Department of Justice and the SEC.
>
> $100 million shall be paid into an escrow account established by court order pursuant to Securities and Exchange Commission v. Salomon Inc and Salomon Brothers Inc, upon terms designated by and with an Administrator designated by the SEC, and approved by the Court. This escrow amount shall be administered and used as set forth in Final Judgment of Permanent Injunction And Other Relief As To Salomon Inc and Salomon Brothers Inc in Securities and Exchange Commission v. Salomon Inc and Salomon Brothers Inc.

Any portion of such $190 million not imposed by the Court in United States of America v. Salomon Brothers Inc and Securities and Exchange Commission v. Salomon Inc and Salomon Brothers Inc shall be paid to the United States pursuant to the foregoing terms of this Agreement. It is further understood that under no

circumstances shall Salomon be entitled to any refund of any monies paid pursuant to the terms of this Agreement; provided that the foregoing shall not preclude reimbursement of Salomon from the escrow fund, in accordance with the procedures governing such fund, in respect of third-party claims paid directly by Salomon.

3. Except as set forth in paragraph 4, (i) the payments described in paragraph 2 above shall be in full and complete settlement of all civil claims, charges, demands, causes of action, obligations, fines, forfeitures, damages, and liabilities against Salomon based upon or arising out of any matters set forth in Annex A and (ii) upon the initial payment pursuant to paragraph 10 of amounts set forth in paragraph 2, the Department of Justice, on its own behalf and on behalf of the Department of the Treasury of the United States, fully releases Salomon from all such civil claims, charges, demands, causes of action, obligations, fines, forfeitures, damages, and liabilities, including, without limitation, such of the foregoing as may arise under the antitrust laws, the False Claims Act, 31 U.S.C. § 3729, et. seq., or common law.

4. (a) Salomon understands that there is an on-going, industry-wide Antitrust Division investigation of whether there have been pre-auction conversations and related conduct among primary dealers and others ("Pre-Auction Conduct") that violated the antitrust laws of the United States. The parties agree that the conduct described in the Antitrust Complaint and, to the extent not so described, the communications referred to in paragraph A(1)(b) of Annex A (collectively, the "Covered Conduct") is included within the scope of this Agreement and the releases herein of claims under the federal antitrust laws for damages, fines, penalties, forfeitures or other remedies. Except to the extent that claims contemplated by paragraph 4(b) are possible, the Department of Justice may not make additional claims for damages, fines, penalties, forfeitures or other remedies that arise from the Covered Conduct; said claims have been settled by this Agreement. Nothing herein is, however, intended to prevent reference by the Department of Justice to the Covered Conduct in a subsequent proceeding, if any, relating to Pre-Auction Conduct, insofar as the Covered Conduct may be relevant to such a proceeding.

(b) The parties further agree that specifically excluded from the terms of this Agreement and the releases herein are all disputes and claims, if any, arising under the Internal Revenue Code, Title 26 U.S.C.

(c) The parties agree that the release pursuant to paragraph 3 of "REFCO Claims", as defined below, shall become effective only at such time, if any, as there shall have been

obtained any consent or authorization from Resolution Funding Corporation necessary to effect such release, and the parties hereto (other than Salomon Inc and SBI) will use their good offices to obtain any such required consent or authorization. For purposes hereof, "REFCO Claims" shall mean claims, if any, of Resolution Funding Corporation for damages, fines, penalties, forfeitures or other remedies arising under federal statutes or common law which may be asserted by Resolution Funding Corporation, or on behalf of Resolution Funding Corporation by the Department of Justice, and which are based upon or arise out of matters specified in Annex A relating to auctions of bonds issued by Resolution Funding Corporation. REFCO Claims shall not in any event include claims of the Department of the Treasury relating to such auctions, all of which are included in the release set forth in paragraph 3 hereof.

5. It is further understood that this Agreement is being entered into only with the Department of Justice and, except as specifically set forth in paragraph 3, the Department of Justice makes no agreements herein on behalf of any other federal, state, or local governmental authorities, although the Antitrust Division of the Department of Justice and the Office of the United States Attorney for the Southern District of New York agree, however, to bring the terms of this Agreement and the cooperation of Salomon to the attention of other federal, state or local governmental or other authorities, if requested by Salomon.

6. Simultaneously with the filing of the complaints referred to in paragraph 1 above, the Department of Justice and Salomon Inc and SBI will stipulate to the entry of an order of dismissal (the "Annex B Order") in the form set forth in Annex B, and the SEC and Salomon Inc and SBI will enter into a stipulated order (the "Annex C Order") in the form set forth in Annex C. By entering into this Agreement and the Annex B Order and the Annex C Order (the "Orders"), Salomon does not admit or deny any of the factual allegations pertaining to the matters described in Annex A, whether or not those allegations are described in any complaints filed by the Department of Justice or the SEC, nor does Salomon admit or deny any legal liability arising therefrom. Nothing in this Agreement or the Orders will constitute a finding of fact or conclusion of law or otherwise provide any basis for establishing such liability.

7. SBI undertakes and agrees for a period of 36 months from the date of this Agreement, subject to the attorney-client and attorney work product privileges, to continue to cooperate with the Department of Justice and to make available to the Department of Justice truthful and accurate information with respect to its activities, the activities of its present and former officers, agents and employees and the activities of

others about which the Department of Justice may inquire in connection with the Department of Justice's current inquiries and investigations and such inquiries or investigations as arise therefrom or relate thereto. This cooperation will include, but not be limited to, production of documents as are reasonably requested by the Department of Justice, the use of SBI's best efforts to make available its employees to the Department of Justice for interviews and non-expert testimony requested by the Department of Justice, the use of its best efforts to encourage and facilitate such interviews and non-expert testimony of employees and SBI's preparation of analyses and reports reasonably requested by the Department of Justice relating to SBI's operations or information (including transactional data) in its possession. In entering into and performing these undertakings, SBI reserves all its rights and privileges concerning third parties in connection with discovery, evidentiary proceedings or related matters.

8. Nothing in this Agreement or the Orders will constitute a pretrial diversion or a similar program.

9. The term "Salomon" as used in this Agreement shall include Salomon Inc, SBI and any and all subsidiaries that are directly or indirectly more than 50 percent owned by, and are directly or indirectly controlled by, SBI or Salomon Inc on the date hereof.

10. This Agreement shall be effective upon the filing of the civil complaints described in paragraph 1 above. Salomon Inc and SBI will endeavor with the SEC to have the Annex C Order entered by the Court within two business days after the date of such filing. SBI or Salomon Inc will make the payment described in paragraph 2 above within three business days of the Court's entry of the Annex C Order; provided, however, that payment of that portion of the $55 million payment to be forfeited to the Department of Justice Asset Forfeiture Fund which represents the amount of the forfeiture pursuant to 15 U.S.C. § 6 (the "Deferred Payment") shall be deferred and made by Salomon Inc or SBI at the time specified below. The Department of Justice and Salomon recognize that the Court may enter the Annex B Order only after complying with the procedures set forth in 15 U.S.C. § 16(b) through (g). The Department of Justice and Salomon will each use best efforts to comply with such procedures so that the Annex B Order is entered by the Court at the earliest practicable date. Salomon Inc or SBI shall make payment of the Deferred Payment plus the "Additional Amount," as defined below, within three business days of the Court's entry of the Annex B Order or such other order as represents a final disposition of the antitrust action. The "Additional Amount" shall mean an amount representing interest on the Deferred Payment, computed on the basis of a 365 day year, at a rate per annum of 3.875%, from and

including the date of the initial payment under paragraph 2 to but excluding the date on which the Deferred Payment is made. To the extent the Court does not impose any portion of the Deferred Payment or the Additional Amount, such portion shall nonetheless be paid at such time to the United States pursuant to paragraph 2.

11. Salomon Inc and SBI hereby waive any rights they might have as a result of this Agreement or the settlement arrangements contemplated hereby under the United States Supreme Court's decision in United States v. Halper, 490 U.S. 435, 109 S.Ct. 1892 (1989), or in respect of the subject matter of that case or under any other existing or future decision relating to that subject matter.

12. This Agreement, and all the terms and provisions hereof, will be binding on the parties hereto and their respective successors and assigns, and will inure only to the benefit of the parties hereto, and other entities specifically released pursuant to paragraph 3, and their respective successors and assigns, and no other person shall be entitled to any benefits hereunder.

13. No additional understandings, promises, agreements and/or conditions have been entered into by the parties hereto with respect to the matters set forth in this Agreement other than those set forth herein and none will be entered into unless in writing and signed by all parties.

14. This Agreement may be executed in multiple counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one agreement.

15. This Agreement shall be deemed to have been fully executed and delivered when both the Department of Justice, on the one hand, and Salomon Inc and SBI, on the other hand, have received counterparts hereof executed on behalf of the other party or parties, as the case may be, by each of the signatories for such other party or parties set forth on the signature pages hereof.

Agreed to:

UNITED STATES DEPARTMENT
OF JUSTICE

/s/ Otto G. Obermaier
Otto G. Obermaier
United States Attorney
Southern District of New York

Date: May 20, 1992

/s/ Stuart M. Gerson
Stuart M. Gerson
Assistant Attorney General
Civil Division

Date: May 20, 1992

/s/ Charles A. James
Charles A. James
Acting Assistant Attorney General
Antitrust Division

Date: May 20, 1992

SALOMON INC

by

/s/ Robert E. Denham by RLO
Robert E. Denham
General Counsel

Date: May 20, 1992

SALOMON BROTHERS INC

by

/s/ Robert E. Denham by FAOS
Robert E. Denham
Managing Director &
Secretary

Date: May 20, 1992

This Annex A is the "Annex A" referred to in paragraphs 3, 4 and 6 of the Civil Settlement Agreement dated May 20, 1992 (the "Agreement") among the United States Department of Justice, Salomon Inc and Salomon Brothers Inc. It is understood that (i) this Annex simply sets forth certain matters to which the settlement and releases set forth in paragraph 3 of the Agreement relate and shall not itself operate as a release or settlement separate from that granted by paragraph 3 and (ii) neither paragraph 3 nor the description of matters set forth in this Annex shall effect any release or settlement to the extent such release or settlement is excluded from the Agreement pursuant to paragraph 4 thereof.

A. Treasury Auction Related Matters.

1. (a) Salomon Brothers Inc's ("SBI's") conduct or communications from January 1, 1989, through August 9, 1991, related to (i) bidding for itself and others in all auctions for United States Treasury bills, notes and bonds (and Resolution Funding Corporation ("REFCORP") bonds), from January 1, 1989 through August 9, 1991, (ii) trading and financing on its own behalf or on behalf of others of all such United States Treasury and REFCORP securities and (iii) post-auction communications concerning the bidding, trading and financing of all such Treasury and REFCORP securities. (b) SBI's communications with others prior to the August 10, 1989, auction of the United States Treasury cash management bill maturing on April 17, 1990, and prior to the May 22, 1991 auction of United States Treasury 2-year notes, to the extent such communications relate to those two Treasury securities.

2. Salomon Inc's ("Salomon's") (i) registration statements filed pursuant to the Securities Act of 1933 and the offer, distribution and sale of Salomon securities offered pursuant thereto by Salomon and SBI, and (ii) periodic reports filed pursuant to the Securities Exchange Act of 1934, in each case from January 1, 1989 through August 14, 1991 (hereinafter collectively referred to as the "SEC Filings"). Salomon's public statements, other than the SEC Filings, from January 1, 1989, through August 14, 1991, including the Salomon press releases dated August 9, 1991, and August 14, 1991.

3. SBI's and Salomon's supervision of, and compliance procedures governing, their employees' activities relating to SBI's bidding activities on SBI's behalf or on behalf of others at auctions for United States Treasury bills, notes and bonds (and REFCORP bonds), and SBI's

trading and financing activities in all such United States Treasury and REFCORP securities from January 1, 1989, through August 9, 1991.

4. SBI's and Salomon's books and records reflecting the activities set forth in paragraph 1.

B. Tax Trades.

5. SBI's conduct and activities, if any, relating to prearranged tax trades, if any, in United States Treasury securities from the 1980 through 1991 tax years; Salomon's and SBI's payments of taxes to the United States in respect of those tax years; and Salomon's and SBI's books and records reflecting any such conduct, activities or payments.

C. Corporate Medium Term Notes.

6. SBI's activities, prior to the date of this Agreement, relating to the initial distribution of corporate medium term notes, and SBI's books and records reflecting those activities.

ANNEX B

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

UNITED STATES OF AMERICA, Plaintiff, -against- CERTAIN PROPERTY OWNED BY SALOMON BROTHERS INC, Defendant, SALOMON BROTHERS INC, Real Party in Interest.	Civil Action No.

FINAL JUDGMENT

Plaintiff, United States of America, filed its Complaint on May 20, 1992. Plaintiff and Salomon Brothers Inc, by their respective attorneys, have consented to the entry of this Final Judgment without trial or adjudication of any issue of fact or law. This Final Judgment shall not be evidence or admission by any person with respect to any issue of fact or law. Before any testimony is taken, and without trial or adjudication of any issue of fact or law, and upon the consent of the United States and Salomon Brothers Inc, it is hereby,

ORDERED, ADJUDGED, AND DECREED:

1. This Court has jurisdiction over the defendent property by virtue of 28 U.S.C. §§ 1345 and 1355. Venue exists in this Court pursuant to 28 U.S.C. § 1395(b). The complaint states a claim upon which relief may be granted under Sections 1 and 6 of the Sherman Act, 15 U.S.C. §§ 1, 6.

2. The defendent property is hereby forfeited to the United States. Salomon Brothers Inc shall pay $27,500,000.00 plus the Additional Amount defined in the Civil Settlement Agreement between Salomon Inc, Salomon Brothers Inc and the United States Department of Justice dated May 20, 1992, within three (3) business days. Such amount is that portion of the $55,000,000.00 payment forfeited to the Department of Justice Asset Forfeiture Fund which represents the amount of the forfeiture pursuant to 15 U.S.C. § 6.

3. This civil forfeiture action is hereby dismissed with prejudice.

4. Entry of this Final Judgment is in the public interest.

DATED:

_____

UNITED STATES DISTRICT JUDGE

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION, Plaintiff, v. SALOMON INC and SALOMON BROTHERS INC Defendants.	92 Civ. No. FINAL JUDGMENT OF PERMANENT INJUNCTION AND OTHER RELIEF AS TO SALOMON INC AND SALOMON BROTHERS INC

Plaintiff SECURITIES AND EXCHANGE COMMISSION ("COMMISSION"), having filed a COMPLAINT FOR PERMANENT INJUNCTION AND OTHER RELIEF ("COMPLAINT"), and Defendants SALOMON INC, SALOMON BROTHERS INC, and their successors and assigns, if any (collectively referred to as "SALOMON"), in the attached CONSENT AND UNDERTAKINGS OF SALOMON INC AND SALOMON BROTHERS INC ("CONSENT"), the terms of which are expressly incorporated herein, having entered a general appearance, having admitted the jurisdiction of the Court over each of them and over the subject matter of this action, having waived the filing of an answer to the Complaint, having waived the entry of findings of fact and

conclusions of law pursuant to Rule 52 of the Federal Rules of Civil Procedure, and, without admitting or denying any of the allegations of the Complaint, and prior to trial, presentation of evidence, argument or adjudication of any issue of law or fact, having consented to the entry of this FINAL JUDGMENT OF PERMANENT INJUNCTION AND OTHER RELIEF AS TO SALOMON INC AND SALOMON BROTHERS INC ("FINAL JUDGMENT"), and it further appearing that this Court has jurisdiction over the parties and the subject matter hereof, and the Court being fully advised in the premises:

I.

IT IS HEREBY ORDERED, ADJUDGED AND DECREED that SALOMON, its officers, agents, servants, employees and attorneys-in-fact, and those persons in active concert or participation with them who receive actual notice of this FINAL JUDGMENT by personal service or otherwise, and each of them, be and hereby are permanently restrained and enjoined from directly or indirectly violating, or aiding and abetting a violation of Section 17(a) of the Securities Act of 1933 (the "Securities Act") [15 U.S.C. § 77q(a)] by, in the offer or sale of any securities, using any means or instruments of transportation or communication in interstate commerce, or using the mails, directly or indirectly:

(a) to employ any device, scheme, or artifice to defraud;

(b) to obtain money or property by means of any untrue statement of a material fact or any omission to

state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or

(c) to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.

II.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that SALOMON, its officers, agents, servants, employees and attorneys-in-fact, and those persons in active concert or participation with them who receive actual notice of this FINAL JUDGMENT by personal service or otherwise, and each of them, be and hereby are permanently restrained and enjoined from, directly or indirectly, violating or aiding and abetting a violation of Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. § 78j(b)] or Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5] by, directly or indirectly, using any means or instrumentality of interstate commerce, or of the mails, or of any facility of a national securities exchange:

(a) to employ any device, scheme, or artifice to defraud;

(b) to make any untrue statement of a material fact or to omit to state any material fact necessary in order to make the statements made, in light of the

circumstances under which they were made, not misleading; or

(c) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person,

in connection with the purchase or sale of any security.

III.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that SALOMON BROTHERS INC, its officers, agents, servants, employees and attorneys-in-fact, and those persons in active concert or participation with them who receive actual notice of this FINAL JUDGMENT by personal service or otherwise, and each of them, be and hereby are permanently restrained and enjoined from directly or indirectly violating, or aiding and abetting a violation of Section 15(c)(1) of the Exchange Act [15 U.S.C. § 78o(c)(1)] or Rule 15c1-2 promulgated thereunder [17 C.F.R. § 240.15c1-2] by making use of the mails or any means or instrumentality of interstate commerce to effect any transaction in, or to induce or attempt to induce the purchase or sale of, any security (other than commercial paper, bankers' acceptances, or commercial bills) otherwise than on a national securities exchange of which SALOMON BROTHERS INC is a member, by means of any manipulative, deceptive, or other fraudulent device or contrivance, including any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person, or any untrue

statement of a material fact or any omission to state a material fact necessary in order to make the statements, made, in the light of the circumstances under which they are made, not misleading, which statement or omission is made with knowledge or reasonable grounds to believe that it is untrue or misleading.

IV.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that SALOMON BROTHERS INC, its officers, agents, servants, employees and attorneys-in-fact, and those persons in active concert or participation with them who receive actual notice of this FINAL JUDGMENT by personal service or otherwise, and each of them, be and hereby are permanently restrained and enjoined from, directly or indirectly, violating or aiding and abetting a violation of Section 17(a)(1) of the Exchange Act [15 U.S.C. § 78q(a)(1)] or Rules 17a-3 and 17a-4 promulgated thereunder [17 C.F.R. §§ 240.17a-3 and 240.17a-4] by failing or causing a failure to make and keep the records required by such section and the rules thereunder for the prescribed periods, to furnish such copies thereof, and to make, disseminate and file the reports required by such section and the rules thereunder, which set forth requirements concerning records and reports required to be made and preserved by certain exchange members, brokers and dealers.

V.

DEFINITION OF "SALOMON-RELATED ACTIVITIES"

For purposes of this FINAL JUDGMENT, the term "Salomon-Related Activities" shall mean (i) the activities of SALOMON in connection with the allegations of the COMPLAINT or (ii) the activities of SALOMON relating to U.S. Treasury or government securities sold at auction during the period January 1, 1989 through August 9, 1991, including without limitation, auction, financing and trading activities, or relating to disclosure or nondisclosure by SALOMON of matters referred to in clauses (i) and (ii) above.

VI.

PAYMENTS BY SALOMON

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that SALOMON shall pay within three (3) business days of the entry of this FINAL JUDGMENT the aggregate sum of $290,000,000 ("the Aggregate Payment"). The Aggregate Payment shall be allocated and paid as set forth in paragraphs A and B below.

A. PAYMENTS TO THE UNITED STATES

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that $122,000,000 of the Aggregate Payment shall represent payment of civil penalties under the Securities Enforcement Remedies and Penny Stock Reform Act of 1990. P.L. 101-429. In addition, $50,000,000 of the Aggregate Payment shall represent a forfeitur to the Department of Justice Asset Forfeiture Fund pursuant to 1

U.S.C. § 6 and 18 U.S.C. § 981 (a)(1)(c) and $18,000,000 represents a payment to the United States in respect of potential claims of the Department of Justice under 31 U.S.C. § 3729 and under common law, in each case pursuant to the Settlement Agreement with the United States Department of Justice. The amounts required to be paid pursuant to this paragraph shall be paid by wire transfer to the United States Treasury.

B. THE CIVIL CLAIMS FUND

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that $100,000,000 of the Aggregate Payment, which represents a fund for civil claims against SALOMON, shall be paid into the Court's registry through the Court Registry Investment System ("C.R.I.S."), to be administered by the Fund Administrator appointed by the Court pursuant to paragraph 4.a below. The monies required to be paid pursuant to this paragraph, together with income generated through the investment of such monies, is hereinafter referred to as the "Fund."

1. USES OF THE FUND

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the Fund is to be utilized for payment as follows:

a. first, to pay C.R.I.S. and court administrative fees, taxes on the income earned on the Fund, and the fees and expenses (including attorney's fees)

of the Fund Administrator appointed pursuant to paragraph 4.a below incurred in connection with and incidental to the performance of the Fund Administrator's duties hereunder and under the Fund Administration Agreement (as defined in paragraph 4.a below), including amounts referred to in paragraph 9.b below;

b. second, (i) in accordance with paragraphs 5 and 6 below, to pay "valid claims," as defined in paragraph 2 below or (ii) if SALOMON has made, after the effective date of the FINAL JUDGMENT, a payment in good faith to a person or persons to resolve a claim that the Fund Administrator determines to be a valid claim, then SALOMON, solely for the purposes of receiving reimbursement from the Fund, shall be deemed to be subrogated to the rights of the person or persons who received such payment from SALOMON and shall be entitled as a subrogee to reimbursement from the Fund; and

c. third, six (6) years from the effective date of this FINAL JUDGMENT, or at such other time as the parties may agree, the Fund (less appropriate reserves for the payments referred to in paragraph 1.a above) shall be closed out by paying to the Treasury of the United States any monies remaining

in the Fund that are not to be distributed pursuant to a COMMISSION plan of distribution.

2. VALID CLAIMS

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that a "valid claim," as that term is used herein, is each of the following: (a) any claim for compensatory damages that SALOMON is required to pay in good faith as a result of any non-appealable final judgment against it arising out of Salomon-Related Activities; (b) amounts that SALOMON agrees in good faith to pay in bona fide settlement of any claim for compensatory damages arising out of Salomon-Related Activities; and (c) such other claims for compensatory damages against SALOMON arising out of Salomon-Related Activities, as are identified by the COMMISSION in its plan or plans of distribution described in paragraph 6 below. The order in which various classes of claims are described above shall not be construed as according or denying priority to any class of valid claim.

3. RESTRICTION ON PAYMENT

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that:

a. Payments shall not be made directly or indirectly from the Fund to:

(i) SALOMON, except as expressly provided in paragraph 1.b above;

(ii) any person or entity who the Fund Administrator determines, after consultation with the COMMISSION, has been:

(A) convicted of any crime substantially related to Salomon-Related Activities; (B) found by a court or a department or agency of the United States to have violated a federal statute or regulation for any conduct substantially related to Salomon-Related Activities; (C) named as a defendant in a pending federal criminal proceeding or in a pending federal civil or administrative proceeding instituted by a department or agency of the United States, for any alleged conduct substantially related to Salomon-Related Activities if the Fund Administrator determines that such alleged conduct is substantially related to the conduct underlying the claim asserted on the Fund and that it would therefore be inappropriate to consider such claim for payment until the conclusion of the federal criminal, civil or administrative proceeding; or

(iii) any person or entity who is, or whose immediate family member is, a current or former officer, managing director, employee or stockholder of SALOMON, or a corporation, partnership, trust or other entity in which such officer, managing director, employee or stockholder is or was a stockholder, partner, trustee or beneficiary or otherwise holds or held an interest, where the Fund Administrator finds, after consultation with the COMMISSION, that by reason of such person's participation in Salomon-Related Activities or such person's failure to supervise such activities, it would be inequitable or otherwise inconsistent with the purposes of this FINAL JUDGMENT

to permit such person or entity to receive payments from the Fund.

b. Except as expressly provided in paragraph 1.a above, no part of the Fund may be used to pay attorneys' fees, costs or disbursements.

4. APPOINTMENT OF FUND ADMINISTRATOR

a. IT IS FURTHER ORDERED, ADJUDGED AND DECREED that, after consultation with SALOMON, the COMMISSION shall recommend to the Court and the Court shall appoint a Fund Administrator. Within sixty (60) days of the entry of this FINAL JUDGMENT, the Fund Administrator shall enter into an agreement (the "Fund Administration Agreement") with the COMMISSION that is consistent with the terms of this FINAL JUDGMENT and that has been approved by SALOMON, whose approval shall not be unreasonably withheld. The Fund Administration Agreement shall govern the conservation, investment and disbursement of monies in the Fund. At the request of the COMMISSION, the Fund Administrator shall also assist the COMMISSION in the formulation and implementation of the plan or plans of distribution described in paragraph 6 below, and determine the validity of claims for payment from the Fund in accordance with this Section VI. The Fund Administration Agreement shall be submitted to this Court for approval and shall be set forth in a supplemental order in this matter.

b. At the request of the COMMISSION, the Fund Administrator may at any time be removed by the Court and, after

consultation with SALOMON, replaced with a successor recommended to the Court by the COMMISSION and approved by the Court. In the event the Fund Administrator decides to resign, the Fund Administrator shall first give sixty (60) days written notice to the COMMISSION, SALOMON and the Court of such intention to resign, and such resignation shall not become effective until the Fund Administrator has submitted its resignation in writing to the COMMISSION, SALOMON and the Court, and the Court has appointed a successor who has accepted such appointment in writing.

c. The Fund Administrator, or any law firm of which the Fund Administrator is a member, shall not, during the term of the Fund Administration Agreement and for a period of five (5) years thereafter, enter into any employment, consulting or attorney-client relationship with SALOMON, or any of its present or former directors, officers, employees or agents acting in their capacity as such.

5. APPLICATION FOR PAYMENT OF BONA FIDE JUDGMENTS AND SETTLEMENTS

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that SALOMON may make written application to the Fund Administrator for the payment to claimants of valid claims as defined in clauses (a), (b) and (c) of paragraph 2 above and for reimbursement to SALOMON pursuant to paragraph 1.b (ii) above. Copies of any such application shall be provided to the Court and to the COMMISSION. Upon receipt of the application for payment

to claimants or reimbursement to SALOMON pursuant to paragraph 1.b (ii) above, the Fund Administrator, after consultation with the COMMISSION, shall make a written determination as to whether the claim is eligible to be paid under paragraphs 1, 2 and 3 above.

Within thirty (30) days (ten (10) days in the case of a paragraph 2, clause (a) claim) of receipt of any such application, the Fund Administrator shall send a written notice to SALOMON, the COMMISSION and the Court setting forth its decision regarding the application for payment of the claim. In the event that the application is denied, the Fund Administrator shall set forth the reasons for the denial in the notice. SALOMON or the COMMISSION may appeal any such denial to the Court, which shall determine whether payment of all or part of the claim is consistent with the terms and purposes of this FINAL JUDGMENT. In the event that the application is approved by the Fund Administrator, the COMMISSION may object, in writing, within thirty (30) days thereafter (ten (10) days in the case of a paragraph 2, clause (a) claim), on the grounds that such approval is inconsistent with the terms or purposes of this FINAL JUDGMENT. Copies of any such written objection shall be provided to the Fund Administrator, SALOMON and the Court. In the event of such objection by the COMMISSION, the Court shall determine whether payment of all or part of the claim is inconsistent with the terms or purposes of this FINAL JUDGMENT. If the COMMISSION

does not object in writing within thirty (30) days (ten (10) days in the case of a paragraph 2, clause (a) claim), the Court shall order the Fund Administrator to pay the claims in the amount previously approved by the Fund Administrator.

6. PLAN OR PLANS OF DISTRIBUTION OF THE CIVIL CLAIMS FUND

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that, after five (5) years following the effective date of this FINAL JUDGMENT, or at such other time as the parties may agree or the Court may order, the COMMISSION shall file with the Court and serve upon counsel for SALOMON a proposed plan for the distribution of all or a portion of the remaining monies in the Fund, consistent with the terms of this FINAL JUDGMENT. Such plan may provide that any monies remaining in the Fund shall be distributed to the United States Treasury. If requested by the COMMISSION, the Fund Administrator shall assist the COMMISSION in the formulation of such plan of distribution and shall assist the Court in its determination whether particular claims are eligible for payment from the Fund pursuant to such plan. Within such time after the submission by the COMMISSION of a proposed plan as the Court may determine, the Court may convene a hearing upon said plan and shall determine the appropriate disposition of that portion of the Fund encompassed within said plan. SALOMON shall have the right to be heard with respect to the Court's consideration of any proposed plan of distribution.

7. TAXES

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the parties and the Fund Administrator, on behalf of the Fund, shall take all necessary steps to enable the Fund to be a taxable "Settlement Fund" within the context of Internal Revenue Code §468B and the regulations, whether proposed, temporary or final or pronouncements thereunder. Such steps include the timely filing of elections and statements as set forth in Internal Revenue Code § 468B(d)(2)(D) and as expanded in applicable regulations or pronouncements providing guidance. The elections and statements to be filed include those required pursuant to proposed Treasury Regulations §§ 1.468B-0 through 1.468B-5 for all taxable years of the Fund beginning with the date of its establishment, including the election made pursuant to proposed Treasury Regulations § 1.468B-5(c)(2). The Fund Administrator, on behalf of the Fund, shall file on a timely basis all federal, state and local tax returns. The Fund Administrator shall cause the Fund to pay taxes in a manner consistent with treatment of the Fund as a "qualified settlement fund" as provided in proposed Treasury Regulations § 1.468B-2. Any reference herein to Treasury Regulations shall mean Proposed Treasury Regulations § 1.468B issued on February 14, 1992, or any regulations or pronouncements which supersede them, whether in proposed, temporary or final form.

8. STAY OF PROCEEDINGS AGAINST THE CIVIL CLAIMS FUND

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that all creditors or claimants of SALOMON, and other persons and others acting on behalf of such creditors or claimants or other persons, including sheriffs, marshals, other officers, deputies, servants, agents, employees and attorneys, be and the same hereby are restrained and enjoined during the pendency of the existence of the Fund from:

a. commencing, prosecuting, continuing or enforcing any suit or proceeding against the Fund Administrator or the Fund;

b. using self-help or executing or issuing or causing the execution or issuance of any court attachment, subpoena, replevin, execution or other process for the purpose of impounding or taking possession of or interfering with or creating or enforcing a lien upon any property owned by or in the possession of or to be transferred to the Fund, or the Fund Administrator pursuant to this FINAL JUDGMENT, wheresoever situated; and

c. doing any act or thing whatsoever to interfere with the taking control, possession or management by the Fund Administrator appointed herein of the property and assets owned, controlled or in the possession of SALOMON that are or may be

transferred to the Fund, or in any way to interfere with or harass said Fund Administrator, or to interfere in any manner with the exclusive jurisdiction of this Court over the Fund.

9. DUTIES OF SALOMON TO THE FUND ADMINISTRATOR

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that SALOMON shall:

a. take such actions, provide such non-privileged information and documents and execute and deliver such documents as the Fund Administrator may request, at any time and from time to time, to enable the Fund Administrator to perform its duties under this FINAL JUDGMENT and the Fund Administration Agreement;

b. indemnify and hold harmless the Fund Administrator from and against any liabilities, if and to the extent the Fund is insufficient, including costs and expenses of defending claims, for which it may become liable or which it may incur by reason of any act or omission to act in the course of performing its duties, except upon a finding by this Court of gross negligence or willful failure of the Fund Administrator to comply with the terms of this FINAL JUDGMENT, the Fund Administration Agreement or any other order of this Court. This

provision for indemnity shall apply to claims based on conduct during the term of the Fund Administration Agreement, even if such claims are filed after the termination of the Fund Administration Agreement.

VII.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the annexed CONSENT be, and the same hereby is, incorporated herein with the same force and effect as if fully set forth herein and that SALOMON shall comply with all of the undertakings and agreements incorporated herein.

VIII.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that all notices hereunder shall be in writing and be deemed to have been duly given when delivered personally or by facsimile transmission, confirmed by mail, to the parties at the following addresses (or at such other address for a party as shall be designated by like notice):

If to the COMMISSION:

Securities and Exchange Commission
Attention: Director, Division of Enforcement
Mail Stop 4-1
450 Fifth Street, N.W.
Washington, D.C. 20549

If to SALOMON:

Salomon Inc
Seven World Trade Center
New York, New York 10048
Attention: General Counsel

IX.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that this Court shall retain jurisdiction of this action for all purposes, including implementation and enforcement of this FINAL JUDGMENT.

X.

Except as explicitly provided in this FINAL JUDGMENT and the CONSENT, nothing herein is intended to or shall be construed to have created, compromised, settled or adjudicated any claims, causes of action, or rights of any person or entity whomsoever, other than as between the COMMISSION, SALOMON INC and SALOMON BROTHERS INC. This FINAL JUDGMENT does not create any rights, either express or implied, with respect to any person other than the Fund Administrator and the parties hereto.

_____

UNITED STATES DISTRICT JUDGE

Dated: _____

New York, New York

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION, Plaintiff, v. SALOMON INC and SALOMON BROTHERS INC, Defendants.	92 Civ. No. CONSENT AND UNDERTAKINGS OF SALOMON INC AND SALOMON BROTHERS INC

1. Defendants SALOMON INC, SALOMON BROTHERS INC and their successors and assigns, if any (collectively referred to as "SALOMON"), having been served with the COMPLAINT FOR PERMANENT INJUNCTION AND OTHER RELIEF ("COMPLAINT") of Plaintiff SECURITIES AND EXCHANGE COMMISSION ("COMMISSION") in this action, and having entered a general appearance, admit the service of the COMPLAINT upon each of them and consent to the jurisdiction of this Court over each of them and over the subject matter of this action.

2. SALOMON, without a hearing, presentation of any evidence or findings of fact pursuant to Rule 52 of the Federal Rules of Civil Procedure and without admitting or denying any of the allegations of the COMPLAINT, except as to jurisdiction which it admits, and consistent with the provisions of 17 C.F.R.

§ 202.5(e), hereby consents, solely for the purposes of this action, or any other proceeding brought by or on behalf of the COMMISSION or to which the COMMISSION is a party, and without adjudication of any issue of fact or law with respect to the COMPLAINT, to the entry of a FINAL JUDGMENT OF PERMANENT INJUNCTION AND OTHER RELIEF AS TO SALOMON INC AND SALOMON BROTHERS INC in the form annexed hereto ("FINAL JUDGMENT"), among other things, restraining and enjoining SALOMON INC or SALOMON BROTHERS INC, as applicable, from engaging in transactions, acts, practices and courses of business which constitute or would constitute violations of, or which aid and abet or would aid and abet violations of, Section 17(a) of the Securities Act of 1933 (the "Securities Act") [15 U.S.C. § 77q(a)], Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. §§ 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] promulgated thereunder, Section 15(c)(1) of the Exchange Act [15 U.S.C. § 78o(c)(1)] and Rule 15c1-2 promulgated thereunder [17 C.F.R. § 240.15c1-2], and Section 17(a) of the Exchange Act [15 U.S.C. § 78q(a)] and Rules 17a-3 and 17a-4 promulgated thereunder [17 C.F.R. §§ 240.17a-3 and 240.17a-4].

3. SALOMON waives the filing of an answer and waives the entry of findings of fact and conclusions of law pursuant to Rule 52 of the Federal Rules of Civil Procedure.

4. SALOMON waives any right it may have to appeal from the entry of the annexed FINAL JUDGMENT.

5. SALOMON enters this CONSENT AND UNDERTAKINGS ("CONSENT") voluntarily and of its own accord and represents that no promise or threat of any kind has been made by the COMMISSION or any member, employee, officer, agent, or representative thereof to induce it to enter this CONSENT.

6. SALOMON undertakes and agrees to cooperate with the COMMISSION and truthfully disclose all information, other than information protected by the attorney-client privilege or the work product doctrine, with respect to its activities and the activities of others about which the COMMISSION or its staff may inquire in connection with the COMMISSION'S current investigation giving rise to the COMPLAINT in this matter and such inquiries, investigations and litigation that arise therefrom or relate thereto.

7. SALOMON undertakes and agrees not to employ any person: (i) convicted of any crime substantially related to Salomon-Related Activities, as that term is defined in the FINAL JUDGMENT herein ("Salomon-Related Activities"); (ii) found by a court or a department or agency of the United States, in an action instituted by a department or agency of the United States, to have violated a federal statute or regulation for any conduct substantially related to Salomon-Related Activities; or (iii) named as a defendant in a pending federal criminal, civil or administrative proceeding instituted by a department or agency of the United States, until the conclusion of such proceeding, for

any alleged conduct substantially related to Salomon-Related Activities.

8. SALOMON agrees that the provisions of this CONSENT shall be incorporated by reference in the FINAL JUDGMENT as if fully set forth therein.

9. SALOMON agrees that this Court shall retain jurisdiction of this matter for the purpose of enforcing the terms and conditions of the FINAL JUDGMENT and for all other purposes.

SALOMON INC

BY: _____

TITLE: _____

On this ____ day of _____, 1992, _____, being known to me and who executed the foregoing CONSENT AND UNDERTAKINGS OF SALOMON INC AND SALOMON BROTHERS INC personally appeared before me and did duly acknowledge to me that he was authorized to execute the same on behalf of SALOMON INC.

_____
Notary Public

Approved as to form:

_____
Attorney for SALOMON INC

SALOMON BROTHERS INC

BY: _____

TITLE: _____

On this ____ day of _____, 1992, _____, being known to me and who executed the foregoing CONSENT AND UNDERTAKINGS OF SALOMON INC AND SALOMON BROTHERS INC personally appeared before me and did duly acknowledge to me that he was authorized to execute the same on behalf of SALOMON BROTHERS INC.

_____
Notary Public

Approved as to form:

_____
Attorney for SALOMON BROTHERS INC

EXHIBIT B

The Honorable William P. Barr
Attorney General
U.S. Department of Justice
Washington, DC 20530

Dear Attorney General Barr:

You have asked for our views on the impact to the U.S. Government securities market as a whole of an injunctive order proposed in settlement of an antitrust complaint against Salomon Brothers. Based upon our understanding of the facts in this case, we believe that an order of this type could create a less efficient, more costly market for U.S. Government securities.

It could also create unnecessary, duplicative regulation of the securities market, especially if extensive new types of private civil litigation result, without any counterbalancing benefit to the Government, the overall economy or the investing public.

We note that the amount to be paid by Salomon in settlement of the overall case will not be affected by the inclusion or exclusion of an antitrust complaint, and that in this case the Government is obtaining extensive injunctive relief and civil damages without the novel application of antitrust remedies to this extensively regulated market.

Sincerely,

Nicholas F. Brady
Secretary of the Treasury

Alan Greenspan
Chairman, Federal Reserve Board

Richard C. Breeden
Chairman, Securities and Exchange Commission

E. Gerald Corrigan
President, Federal Reserve Bank of New York