

SALOMON INC

1221 AVENUE OF THE AMERICAS, NEW YORK, NEW YORK 10020 212 764-3700

NOTICE OF 1987 ANNUAL MEETING OF STOCKHOLDERS

March 30, 1987

To Our Stockholders:

The Annual Meeting of Stockholders of Salomon Inc will be held in the Auditorium of the McGraw-Hill Building, 1221 Avenue of the Americas, New York, New York, on Wednesday, May 6, 1987, at 10:00 a.m. for the following purposes:

1. To elect directors,
2. To approve an amendment to the Company's Certificate of Incorporation to limit the liability of directors in certain circumstances,
3. To act upon a proposal to amend the Non-Qualified Stock Option Plan of 1984,
4. To ratify the appointment of independent public accountants,
5. To transact such other business as may properly come before the meeting.

The record date for the determination of the stockholders entitled to vote at the meeting or at any adjournment thereof is the close of business on March 20, 1987.

All stockholders are urged to attend the meeting. However, in order to make sure that your shares are represented at the meeting, you are requested to sign, date and return the enclosed proxy promptly in the accompanying envelope, which requires no postage if mailed in the United States. This will not limit your right to vote in person.

By Order of the Board of Directors

ARNOLD S. OLSHIN

Secretary

SALOMON INC

1221 AVENUE OF THE AMERICAS, NEW YORK, NEW YORK 10020 212 764-3700

PROXY STATEMENT FOR THE 1987 ANNUAL MEETING OF STOCKHOLDERS

SOLICITATION AND REVOCATION OF PROXIES

The enclosed proxy, being mailed to the stockholders on or about March 30, 1987, is solicited by the Board of Directors of the Company. If a proxy is duly received by the Secretary before the meeting, the shares represented by it will be voted on all matters to be acted upon at the meeting unless the proxy is revoked by written notice to the Secretary of the Company before the meeting or by voting by ballot at the meeting.

Holders of Common Stock as of the close of business on March 20, 1987 will be entitled to vote. On such date there were outstanding and entitled to vote 152,311,971 shares of Common Stock (exclusive of 359,623 shares held in the treasury) of the Company, each of which is entitled to one vote with respect to each matter to be voted on at the meeting. The presence at the meeting in person or by proxy of the holders of a majority of the outstanding shares of Common Stock entitled to vote shall constitute a quorum for the transaction of business.

The cost of soliciting proxies in the form enclosed will be borne by the Company. In addition to the solicitation by mail, proxies may be solicited personally, or by telephone, by employees of the Company. The Company may reimburse brokers holding stock in their names, or in the names of their nominees, for their expenses in sending proxy material to the beneficial owners of such stock.

1. ELECTION OF DIRECTORS

Thirteen directors are to be elected at the Annual Meeting, each to serve for one year and until his successor is elected and qualifies. All of the nominees indicated below are presently members of the Board. In the event any one or more of the following nominees are unable to serve, it is the intention of the persons named in the proxy to vote for the election of substitutes proposed by the Board of Directors or, if no substitute is proposed, for the remaining nominees. The Board of Directors has no reason to believe that any of the nominees will be unable to serve.

Information follows with regard to the nominees and their principal occupations during the past five years and board and committee memberships.

DWAYNE O. ANDREAS

Mr. Andreas, age 69, has been Chairman of the Board and Chief Executive Officer of Archer Daniels Midland Company, a processor of agricultural products, for more than five years. Mr. Andreas is also a director of Lone Star Industries, Inc.

Mr. Andreas has been a director of the Company since 1982 and is currently Chairman of the Nominating Committee.

MAURICE R. GREENBERG

Mr. Greenberg, age 61, has been President and Chief Executive Officer and a director of American International Group, Inc., a multinational insurance holding company, for more than five years.

Mr. Greenberg has been a director of the Company since 1983 and is currently a member of the Executive Committee.

JOHN H. GUTFREUND

Mr. Gutfreund, age 57, has been Chairman, President and Chief Executive Officer of the Company since October 1984, after serving as Chairman and Chief Executive Officer from August to October 1984, as Co-Chairman and Co-Chief Executive Officer from September 1983 until August 1984 and as Co-Chairman from 1981 to 1983. Mr. Gutfreund is also Vice Chairman and a director of the New York Stock Exchange, Inc.

Mr. Gutfreund has been a director of the Company since 1981 and is currently Chairman of the Executive Committee and a member of the Nominating Committee.

CEDALE B. HOROWITZ

Mr. Horowitz, age 54, has been an Executive Vice President of the Company for more than five years.

Mr. Horowitz has been a director of the Company since 1981.

WILLIAM F. MAY

Mr. May, age 71, has been President and Chief Operating Officer of Statue of Liberty-Ellis Island Foundation, Inc. since 1984, after serving as Dean of the Graduate School of Business Administration, New York University for four years. Mr. May is also a director of Catalyst Energy Corporation, Manville Corporation, Musicland, Inc. and U.S. Surgical Corporation.

Mr. May has been a director of the Company since 1978 and is currently Chairman of the Audit Committee and a member of the Executive Committee and the Compensation and Employee Benefits Committee.

LEWIS S. RANIERI

Mr. Ranieri, age 40, has been an Executive Vice President of the Company since December 1986. Prior thereto, he was a Managing Director of Salomon Brothers Inc for more than five years and a member of its Executive Committee since 1984.

Mr. Ranieri has been a director of the Company since October 1986.

REUBEN F. RICHARDS

Mr. Richards, age 57, has been Chairman of the Board and Chief Executive Officer of Inspiration Resources Corporation, a diversified natural resources company with interests in agribusiness and mining, since 1982 and its President since 1983. Prior thereto, he was Chairman of the Board, President and Chief Executive Officer of Hudson Bay Mining and Smelting Co., Limited in 1982. Mr. Richards is also Chairman of the Board of Engelhard Corporation and a director of Adobe Resources Corporation, Economics Laboratory, Inc., Minerals and Resources Corporation Limited and Potlatch Corporation. ⁽¹⁾

Mr. Richards has been a director of the Company since 1984 and is currently a member of the Executive Committee and the Audit Committee.

RICHARD J. SCHMEELK

Mr. Schmeelk, age 62, has been an Executive Vice President of the Company for more than five years.

Mr. Schmeelk has been a director of the Company since 1981.

HENRY R. SLACK

Mr. Slack, age 37, has been an Executive Director of Minerals and Resources Corporation Limited, an investment company, for more than five years and its President since 1985. Mr. Slack is also an Executive Director of Anglo American Corporation of South Africa Limited and a director of Adobe Resources Corporation, Engelhard Corporation and Inspiration Resources Corporation.⁽¹⁾

Mr. Slack has been a director of the Company since 1983 and is currently a member of the Compensation and Employee Benefits Committee.

THOMAS W. STRAUSS

Mr. Strauss, age 44, has been Vice Chairman of the Company since October 1986, after serving as an Executive Vice President since 1982. Mr. Strauss is also a director of the American Stock Exchange, Inc.

Mr. Strauss has been a director of the Company since 1982 and is currently a member of the Executive Committee.

WILLIAM C. TURNER

Mr. Turner, age 57, has been Chairman of Argyle Atlantic Corporation, an international consulting firm for more than five years. Mr. Turner is also a director of The Goodyear Tire & Rubber Company and Chairman of the AT&T International Europe Advisory Council and Asia Pacific Advisory Council.

Mr. Turner has been a director of the Company since 1980 and is currently a member of the Audit Committee and the Nominating Committee.

WILLIAM J. VOUTÉ

Mr. Vouté, age 48, has been an Executive Vice President of the Company since 1983. Prior thereto, he was a member of the Executive Committee of Salomon Brothers Inc for more than one year.

Mr. Vouté has been a director of the Company since 1983.

ROBERT G. ZELLER

Mr. Zeller, age 68, has been retired since 1979 after serving as Chairman of the Board and Chief Executive Officer of F. Eberstadt & Co., Inc., investment bankers. Mr. Zeller is also a director of Rykoff-Sexton Corp.

Mr. Zeller has been a director of the Company since 1967 and is currently Chairman of the Compensation and Employee Benefits Committee and a member of the Executive Committee and the Audit Committee.

(1) For information with respect to Minerals and Resources Corporation Limited, see "Information as to Certain Stockholdings" below.

BOARD OF DIRECTORS' MEETINGS, COMMITTEES AND FEES

The Board of Directors of the Company held eight meetings in 1986. In addition, the Executive Committee of the Board of Directors, held three meetings during the year. The Company's By-Laws provide that the Executive Committee may exercise most of the powers of the Board in the general and active management of the business and affairs of the Company.

In addition to the Executive Committee, the standing committees of the Board of Directors include the Audit Committee, the Compensation and Employee Benefits Committee and the Nominating Committee.

The Audit Committee, which consists entirely of nonemployee directors, holds regular meetings at which the Company's independent accountants and its internal auditors report directly to the Committee. The Audit Committee periodically reviews the Company's accounting policies, internal accounting controls and the scope and results of the independent accountants' examination of the financial statements. The Audit Committee held two meetings in 1986.

The Compensation and Employee Benefits Committee establishes corporate policy on the compensation of officers and key employees of the Company. Its work is aided by material prepared from time to time by compensation and actuarial consultants. The Compensation and Employee Benefits Committee consisted in 1986 entirely of nonemployee directors and held five meetings in that year.

The Nominating Committee considers and makes recommendations to the Board with respect to the size and composition of the Board and candidates for membership on the Board. The Committee has not established procedures for the submission by shareholders of proposed candidates for its consideration. The Nominating Committee held one meeting in 1986.

In 1986, all of the directors of the Company attended at least 75% of the aggregate number of meetings of the Board and meetings of Committees of the Board on which they served, except for Messrs. Greenberg and Slack.

Each nonemployee director is entitled to an annual retainer of \$15,000. In addition, the following fees have been set: a \$500 attendance fee for each board meeting and each committee meeting attended (if a director attends more than one committee meeting on the same day or if a committee meeting is held on the same day as a board meeting, only one attendance fee is paid); a \$2,500 annual retainer for each committee member and a \$500 annual retainer to each chairman of one or more committees. A deferred compensation plan for nonemployee directors permits such directors to elect on or before December 31 of each year to have all or a portion of the following year's compensation deferred. Directors who are employees of the Company are not entitled to an annual retainer or to any attendance fees or fees for service on a committee.

INFORMATION AS TO CERTAIN STOCKHOLDINGS

The following is the only person known to management of the Company who owned beneficially more than five per cent of the Company's voting securities as of February 13, 1987.

	<u>Amount Beneficially Owned</u>	<u>Per Cent of Class</u>
Minerals and Resources Corporation Limited P.O. Box 650 Hamilton 5, Bermuda	21,282,070 ⁽¹⁾	13.4

⁽¹⁾ The Company is informed by Minerals and Resources Corporation Limited ("Minorco"), a Bermuda corporation, as follows: As of February 13, 1987, Minorco owned beneficially (and, through a wholly owned subsidiary, owned of record) 21,282,070 shares of Common Stock of the Company, constituting approximately 13.4% of the outstanding voting securities of the Company. Minorco is an investment company, the capital stock of which is controlled, in part, as follows: approximately 39%, directly or through subsidiaries, by Anglo American Corporation of South Africa Limited ("Anglo American"), a publicly held mining and finance company; approximately 21%, directly or through subsidiaries, by De Beers Consolidated Mines Limited ("De Beers"), a publicly held diamond mining and investment company; and approximately 4% by an associated company. Approximately 38% of Anglo American is controlled, directly or through subsidiaries, by De Beers. Approximately 34% of De Beers is controlled, directly or through subsidiaries, by Anglo American. Mr. Harry F. Oppenheimer is a director of De Beers and Minorco. He, with members of his family, including Mr. Henry R. Slack who is President and a director of Minorco and a director of Anglo American and has a beneficial interest in 400 shares of the Common Stock of the Company, have indirect partial interests in approximately 7% of the outstanding shares of Minorco and 8% of the outstanding shares of Anglo American; Mr. Reuben F. Richards, a director of Minorco, owns 500 shares of the Common Stock of the Company and has a beneficial interest in 1,000 shares of Minorco.

The following is the ownership, as of February 13, 1987, of shares of Common Stock of the Company by all nominees for Director and the ownership as of such date by officers and Directors of the Company as a group. Common Stock which is referred to as "beneficially" owned includes any unvested shares awarded under the Company's Key Employees Stock Bonus Plans, any shares which may be purchased under the Company's Non-Qualified Stock Option Plans within sixty days from February 13, 1987 and any shares which may be acquired upon conversion of the Company's 9% Restricted Convertible Subordinated Notes within sixty days from February 13, 1987. The term also

includes any shares owned by a spouse or minor children or any shares over which the individual directly or indirectly holds sole or shared voting or investment power.

	Amount Beneficially Owned	Per Cent of Class
Dwayne O. Andreas	178,000 ⁽¹⁾	*
Maurice R. Greenberg	3,190	*
John H. Gutfreund	668,969 ⁽²⁾⁽³⁾⁽⁴⁾	*
Gedale B. Horowitz	476,569 ⁽²⁾⁽³⁾⁽⁴⁾	*
William F. May	4,332	*
Lewis S. Ranieri	111,957 ⁽²⁾⁽³⁾	*
Reuben F. Richards	500	*
Richard J. Schmeelk	310,274 ⁽²⁾⁽³⁾⁽⁴⁾	*
Henry R. Slack	400	*
Thomas W. Strauss	416,360 ⁽²⁾⁽³⁾⁽⁴⁾	*
William C. Turner	200	*
William J. Vouté	234,345 ⁽²⁾⁽³⁾⁽⁴⁾	*
Robert G. Zeller	2,000	*
20 Directors and Officers as a Group	4,010,103 ⁽⁵⁾	2.5

* No individual nominee for Director or any other officer or Director in the group beneficially owns as much as 1.0% of the Company's Common Stock.

⁽¹⁾ Shares beneficially owned include 168,000 shares which are owned by a corporation of which Mr. Andreas is an officer and director and the principal shareholder. Mr. Andreas disclaims any beneficial interest in such shares.

⁽²⁾ Shares beneficially owned include unvested shares awarded under the Key Employees Stock Bonus Plans (see "Key Employees Stock Bonus Plans" below) as follows: Mr. Gutfreund 2,700, Mr. Horowitz 2,350, Mr. Ranieri 1,167, Mr. Schmeelk 392, Mr. Strauss 2,350 and Mr. Vouté 2,350.

⁽³⁾ Shares beneficially owned include shares subject to options granted under the Company's Non-Qualified Stock Option Plan of 1984 (see "Non-Qualified Stock Option Plan of 1976 and Non-Qualified Stock Option Plan of 1984" below) which may be exercised within sixty days from February 13, 1987 as follows: Mr. Gutfreund 100,430, Mr. Horowitz 90,090, Mr. Ranieri 78,790, Mr. Schmeelk 90,090, Mr. Strauss 90,090 and Mr. Vouté 90,090.

⁽⁴⁾ Shares beneficially owned include shares into which the Company's 9% Restricted Convertible Subordinated Notes (See "Certain Transactions" below) may be converted within sixty days from February 13, 1987 as follows: Mr. Gutfreund 555,039, Mr. Horowitz 329,429, Mr. Schmeelk 147,005, Mr. Strauss 316,870 and Mr. Vouté 137,205.

⁽⁵⁾ Includes 11,309 unvested shares of Common Stock awarded under the Company's Key Employees Stock Bonus Plans, 590,690 shares of Common Stock subject to options granted under the Company's Stock Option Plans which may be exercised within sixty days from February 13, 1987, 1,485,548 shares of Common Stock into which the Company's 9% Restricted Convertible Subordinated Notes may be converted within sixty days from February 13, 1987 and 370,884 shares owned by family members, corporations or charitable foundations, in which shares persons in the group disclaim any beneficial interest.

EXECUTIVE COMPENSATION AND RELATED INFORMATION

The table below shows the cash compensation from the Company for services as an executive officer, at any time during 1986 to each of the five most highly compensated executive officers of the Company, the capacities in which such cash compensation was received by such persons and the cash compensation from the Company for such services at any time during 1986 to all executive officers of the Company as a group.

CASH COMPENSATION TABLE

<u>Name of Individual or Number in Group</u>	<u>Capacities in Which Served</u>	<u>Cash Compensation</u>
John H. Gutfreund ⁽¹⁾⁽²⁾	Chairman, President and Chief Executive Officer	\$ 3,114,407
Gedale B. Horowitz ⁽¹⁾⁽²⁾	Executive Vice President	2,841,915
Richard J. Schmeelk ⁽¹⁾⁽²⁾	Executive Vice President	3,391,915
Thomas W. Strauss ⁽¹⁾⁽²⁾	Vice Chairman; Executive Vice President	2,841,915
William J. Vouté ⁽¹⁾⁽²⁾	Executive Vice President	2,841,915
14 executive officers as a group, including those named above ⁽²⁾⁽³⁾		21,847,710

⁽¹⁾ In connection with the Company's acquisition of the business of Salomon Brothers (see "Certain Transactions" below), Messrs. Gutfreund, Horowitz, Schmeelk, Strauss and Vouté entered into five year employment agreements with the Company, effective October 1, 1981, providing for annual rates of base salary not less than \$300,000, \$220,000, \$220,000, \$220,000 and \$220,000, respectively. Amounts received in 1986 by the individuals listed pursuant to such agreements are included in the table.

⁽²⁾ Excludes profit sharing amounts for 1986 relating to the Company's Profit Sharing Plan (see "Salomon Inc Profit Sharing Plan" below) paid or credited in 1987 of \$30,158 for each of the individuals named and \$329,379 for the group.

⁽³⁾ Includes amounts deferred in 1986 under the Company's Savings and Investment Plan (see "Savings and Investment Plan" below).

SALOMON INC PROFIT SHARING PLAN

The Company maintains a Profit Sharing Plan for its employees, including the individuals named and persons in the group of executive officers referred to in the Cash Compensation Table. Under the plan, the Company contributes a percentage of annual net profits before taxes to the plan following the end of each compensation year, i.e. December 31. Employees who have completed a year of service and are plan participants are entitled to have paid to their accounts a share of each year's profits pursuant to a benefit guideline which is based upon years of service and total annual compensation up to a maximum of \$200,000. The plan guarantees a minimum payment to an employee's account based upon the first \$75,000 of annual compensation, regardless of profits. As of February 13, 1987, 4,092 employees were participants in the plan. The amount of the Company's annual contribution for a fiscal year is

determined by the following formula: 7.5% of any net profits (before taxes) up to \$30,000,000, plus 4% of any net profits (before taxes) greater than \$30,000,000 but less than \$50,000,000, plus 2% of any net profits (before taxes) greater than \$50,000,000. Amounts paid into the plan are invested and may be supplemented by voluntary contributions. Upon termination of employment, the vested portion of an employee's profit sharing account is payable to the employee. The amount of annual contributions that may be paid into a tax-qualified plan is subject to certain limitations imposed by law. (In 1986, the maximum contribution allowable was \$30,000; in 1987, \$7,000.) Where appropriate, the Company will credit an employee, in an unfunded account, with the excess amount that would have been contributed on behalf of an employee under the Profit Sharing Plan but for such limitations. Amounts paid or credited for 1986 to the accounts of the individuals named and persons in the group of executive officers referred to in the Cash Compensation Table are described in the footnotes thereto.

Employees may defer the receipt of a portion (not more than 15% or \$7,000 [\$30,000 prior to 1987], whichever is lower) of their pretax compensation by contributing same to the Profit Sharing Plan. The Company matches up to \$400 of the amount deferred (depending upon the level of an employee's total compensation) for each employee whose compensation is less than \$75,000 per annum.

During the period January 1, 1984 through December 31, 1986, profit sharing amounts under the Plan of \$101,933 were credited to the accounts of each of Messrs. Gutfreund, Horowitz, Schmeelk, Strauss and Vouté; an aggregate amount of \$654,960 was credited to the accounts of all current executive officers as a group, including the foregoing; and an aggregate amount of \$43,668,956 was credited to the accounts of all employees as a group, including the foregoing.

KEY EMPLOYEES STOCK BONUS PLANS

The Company's Key Employees Stock Bonus Plan ("the 1985 Stock Bonus Plan") as approved by the stockholders of the Company in 1985, provides for the issuance and delivery of up to 2,500,000 shares of the Company's Common Stock to key employees as compensation for their services. No payment for shares awarded under the 1985 Stock Bonus Plan is required of such key employees. Directors of the Company who are not officers or employees of the Company or its subsidiaries are not eligible to participate. All other directors are eligible. Key employees are employees of the Company and its subsidiaries, selected by the Committee administering the Plan, who occupy managerial or other important positions and who, by virtue of their ability and qualifications, make important contributions to the Company.

The 1985 Stock Bonus Plan is administered by the Compensation and Employee Benefits Committee, consisting of directors of the Company who are not eligible to participate in the 1985 Stock Bonus Plan. Awards are recommended by the Committee subject to approval by the Board of Directors. Twenty percent of the shares covered by an award vest at the end of the first year following the date of the award and 20% at the end of each succeeding year, provided that the key employee remains in the service of the Company or one of its subsidiaries on the vesting date.

The Plan terminates on December 31, 1989 provided that any shares awarded on or prior to such date may be subsequently delivered to key employees in accordance with the terms and conditions applicable to their awards.

On December 12, 1986, December 12, 1985 and September 4, 1985, awards under the 1985 Stock Bonus Plan of 36,000, 36,000 and 78,000 shares of common stock were made to three, three and one key employees, respectively. No shares have been awarded under the 1985 Stock Bonus Plan to individuals named in the Cash Compensation Table or to any current executive officers.

The Company's Key Employees Stock Bonus Plan of 1973 expired on December 31, 1984. The 1973 Stock Bonus Plan, the terms of which were similar in virtually all respects with the 1985 Stock Bonus Plan, provided that any shares awarded on or prior to December 31, 1984 may be subsequently delivered to key employees in accordance with the terms and conditions applicable to their awards. In 1984, prior to the expiration of the 1973 Stock Bonus Plan, none of the individuals listed in the Cash Compensation Table or any current executive officers received any awards. In 1986, 2,700, 2,350, 392, 2,350 and 2,350 shares held for the respective accounts of Messrs. Gutfreund, Horowitz, Schmeelk, Strauss and Vouté vested and 80,031 shares, including the foregoing, held for the accounts of all persons in the group of executive officers listed in the Cash Compensation Table vested. Additionally, in 1986, proceeds of sale of \$78,624 held for the account of Mr. Schmeelk vested and \$141,087, including the foregoing amount, held for the accounts of all persons in the group of executive officers listed in the Cash Compensation Table vested.

NON-QUALIFIED STOCK OPTION PLAN OF 1976

The Company's Non-Qualified Stock Option Plan of 1976 ("1976 Stock Option Plan") expired on April 30, 1986. During the period January 1, 1984 through April 30, 1986, no current executive officer was granted options to purchase shares. In addition, during such period, one employee was granted options under the 1976 Stock Option Plan to purchase 500 shares of the Company's Common Stock at an average price of \$38.44 per share. During the period January 1, 1984 through December 31, 1986, all current executive officers as a group exercised 129,302 options, realizing a net value in shares (market value less any exercise price) or cash, of \$641,907.

None of the individuals listed in the Cash Compensation Table received or exercised any such options during such period or holds any such options at February 13, 1987.

THE NON-QUALIFIED STOCK OPTION PLAN OF 1984

The Company's Non-Qualified Stock Option Plan of 1984 ("1984 Stock Option Plan") approved by the stockholders of the Company in 1984 makes available employee stock options covering a maximum aggregate of 10,000,000 shares of the Company's Common Stock. The Plan also provides for the grant of stock appreciation rights with respect to some or all of the shares subject to an option currently granted and provides that the exercise of such stock appreciation rights prevents the exercise of the related option with respect to the number of shares which would have been issuable upon exercise of the related option and results in its cancellation to that extent. During the period January 1, 1984 through December 31, 1986, Messrs. Gutfreund, Horowitz, Schmeelk, Strauss and Vouté were granted options under the 1984 Stock Option Plan to purchase 244,900, 218,000, 163,500, 218,000 and 218,000 shares of the Company's Common Stock, respectively, at an average option price of \$36.35 per share and an equal number of

stock appreciation rights. During the foregoing period, all current executive officers as a group, including the foregoing, were granted options to purchase 1,353,700 shares at an average option price of \$36.33 per share and 1,184,900 stock appreciation rights. In addition, during the period, employees, including the foregoing group, were granted options under the 1984 Stock Option Plan to purchase 9,157,450 shares of the Company's Common Stock at an average option price of \$36.74 per share and 1,597,900 stock appreciation rights. During the foregoing period, none of the individuals named in the Cash Compensation Table exercised any options or stock appreciation rights under the 1984 Stock Option Plan. In such period, all current executive officers in the group, including the foregoing, exercised 8,000 stock appreciation rights having a net value (market value less any exercise price) of \$159,875. On February 13, 1987, 1,631,970 shares remained available under the Plan for option awards.

The 1984 Stock Option Plan is administered by the Compensation and Employee Benefits Committee. Grants are recommended by the Committee, subject to approval by the Board of Directors. The Committee has full power and authority to determine who shall receive awards under the Plan. Essential managers and other key employees, including employees who are officers and Directors of the Company and its subsidiaries, are eligible to receive options. No formula is prescribed by the Plan to determine the number of options or stock appreciation rights to be granted. However, in its administration of the Plan, the Committee, in its discretion, may adopt a formula. For example, in the past, the Committee has used a formula which related the total number of options available for grant in a year to the total deferred compensation awarded in that year pursuant to the Company's Deferred Compensation Plan described below and the market price of the Company's Common Stock on the date of grant and related the number of options granted to an individual employee to such employee's award under the Deferred Compensation Plan and such employee's executive position with the Company. Whether the foregoing formula will be used again by the Committee is within the Committee's discretion. No option may be granted under the Plan after June 30, 1994.

DEFERRED COMPENSATION PLAN

In 1983, the Board of Directors established a Deferred Compensation Plan for key personnel who are expected to exercise with the Company and its subsidiaries an important role in the growth and progress of the Company's business. The Plan, which is administered by the Compensation and Employee Benefits Committee, provides for the award of deferred cash compensation to vest at the rate of 20%, 30% and 50%, respectively, as of each of the first, second and third annual anniversary dates of grant, provided the participant remains in the service of the Company on the applicable vesting date. Awards are made under "Plan A" for senior and junior management employees and "Plan B" for other key employees. Deferred compensation accounts earn interest, compounded semi-annually, at designated rates which differ for Plan A and Plan B accounts. Under Plan A, the interest rate is established by the Compensation and Employee Benefits Committee, whereas, under Plan B interest is at the average per annum rates for certificates of deposit equivalents for ninety day commercial paper sold by major corporations as published by the Federal Reserve Board. To the extent interest paid under Plan A exceeds interest paid under Plan B, such excess amount is included in the Cash Compensation Table. During the period January 1, 1984 through December 31, 1986, Messrs. Gutfreund, Horowitz,

Schmeelk, Strauss and Vouté received aggregate deferred compensation awards of \$1,850,000, \$1,630,000, \$1,080,000, \$1,630,000 and \$1,630,000, respectively; all current executive officers of the Company as a group, including the foregoing, received such awards of \$10,247,650; and all employees, including the foregoing group, received such awards of \$117,721,270. As of February 13, 1987, there were 1,035 participants in the Deferred Compensation Plan.

SPECIAL BONUS PLAN

In September 1986, the Board of Directors established a Special Bonus Plan for managing directors and directors of Salomon Brothers Inc and selected key employees of the Company who are not employees of Salomon Brothers Inc and who are included for eligibility by the Chairman of the Company. The Plan, which is administered by the Compensation and Employee Benefits Committee, is based on earnings of Salomon Brothers Inc and provides eligible participants with a prorata share, based on their total compensation, of a bonus pool to be established after Salomon Brothers Inc's earnings reach prescribed levels. The Plan provides for five year vesting of amounts awarded to participants, with penalties for premature termination of employment. In 1986, Messrs. Gutfreund, Horowitz, Schmeelk, Strauss and Vouté received special bonus awards of \$522,723, \$479,163, \$479,163, \$479,163 and \$479,163, respectively; all current executive officers of the Company as a group, including the foregoing, received such awards of \$3,092,778; and all employees of the Company as a group, including the foregoing, received such awards of \$25,895,000. As of February 13, 1987, there were 133 participants in the Special Bonus Plan.

SAVINGS AND INVESTMENT PLAN

The Company maintains for certain employees of a subsidiary of Phibro Energy, Inc. a Savings and Investment Plan. Under the Plan, employees are given the opportunity to defer the receipt of up to 10% (or \$7,000 [\$30,000, prior to 1987], whichever is lower) of their pretax compensation. The Company matches 50% of the salary deferral percentage for employees earning less than \$75,000 per annum up to a maximum of 3% of compensation. As of February 13, 1987, there were 487 employees participating in the Savings and Investment Plan. None of the persons in the group of executive officers referred to in the Cash Compensation Table are currently participants in the Plan. However, during the period January 1, 1984 through December 31, 1986, while none of the individuals listed in the Cash Compensation Table were participants in the Plan, all current executive officers as a group deferred the sum of \$383,992 under the Plan and all employees as a group, including the foregoing, deferred the sum of \$11,101,254 under the Plan.

CERTAIN TRANSACTIONS

The Company's commodities operations market, fabricate and process various metals, minerals and ores acquired from numerous domestic and foreign suppliers. The Company makes and will continue to make purchases of such materials, in the ordinary course of its business, from entities in which it is informed Anglo American has a material interest, upon terms which are no less favorable to the Company than those obtainable from other sources. The Company's purchases of such materials from all sources during 1986 approximated \$16 billion including purchases of approximately \$8,000,000 from

corporations in which the Company is informed Anglo American has a material interest. The Company's related net sales and operating revenues of \$16.3 billion in 1986 included approximately \$1,400,000 from transactions with such corporations. Additionally, Salomon Brothers Inc sold to such corporations marketable securities having a value of approximately \$22,400,000.

Among the Company's other transactions, in the ordinary course of its business in 1986, there were purchases of approximately \$57,000,000 from Engelhard Corporation ("Engelhard") and entities in which the Company is informed Engelhard has a material interest, and sales to Engelhard and such entities of approximately \$79,600,000; payment of premiums of approximately \$4,000,000 for insurance coverage by American International Group, Inc. ("AIG") and entities in which the Company is informed AIG has a material interest. Additionally, Salomon Brothers Inc purchased from Archer Daniels Midland Company ("ADM") and AIG marketable securities having a value of approximately \$2,233,000,000 and \$103,500,000, respectively, and sold to such firms marketable securities having a value of approximately \$2,149,000,000, and \$246,300,000, respectively. The Company believes that its transactions with ADM, Engelhard and AIG are upon terms which are no less favorable to the Company than those obtainable from other sources. Dwayne O. Andreas, a director of the Company, is Chairman of the Board and Chief Executive Officer of ADM; Reuben F. Richards a director of the Company, is Chairman of the Board of Engelhard; and Maurice R. Greenberg, a director of the Company, is President and Chief Executive Officer of AIG.

On October 1, 1981, the Company and Salomon Brothers, an investment banking and securities trading firm, combined their businesses. Pursuant to such combination, the Company issued an aggregate of \$250,000,000 of 9% Restricted Convertible Subordinated Notes, due October 1, 1991, (the "Notes") to Salomon Brothers. Upon issuance, the Notes were convertible, in accordance with their respective terms, into an aggregate of 18,000,000 shares of the Company's Common Stock (adjusted for the 2 for 1 stock split declared in 1983). The conversion period commenced October 1, 1982. John H. Gutfreund, Gedale B. Horowitz, Richard J. Schmeelk, Thomas W. Strauss and William J. Vouté, all of whom are nominees for director of the Company and were General Partners of Salomon Brothers prior to October 1, 1981, were payees of Notes as of December 31, 1986 in the aggregate amounts of \$7,708,878, \$4,575,406, \$2,041,749, \$4,400,982, and \$1,905,634, respectively.

Since January 1, 1986, the Company's subsidiary, Salomon Brothers Inc, as agent or principal, has handled purchases and sales of securities (including different forms of repurchase transactions) from time to time for various of the directors and officers of the Company. Such transactions were in the ordinary course of business, were at substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other customers and did not involve more than normal risk of collectibility or present other unfavorable features.

2. AMENDMENT OF CERTIFICATE OF INCORPORATION

In June 1986, the legislature of the State of Delaware enacted certain new provisions to the Delaware General Corporation Law (the "Law") to permit additional protection to directors from personal liability in certain circumstances. The legislation was passed in response to a recommendation of the Delaware State Bar Association, following a determination that during the past year it had become

increasingly difficult for businesses to obtain adequate directors' and officers' liability insurance. The Delaware State Bar Association found that, to the extent that such liability insurance was available, the scope and amount of coverage was decreasing and the cost was rising dramatically. In some cases, the Delaware State Bar Association found that loss of insurance had been followed by director resignations, including resignations by outside directors who did not hold positions of employment with a company. The new provisions of the Law permit a corporation, by amendment of its certificate of incorporation, to limit or eliminate liability of directors for monetary damages to the corporation or its stockholders for breaches of the directors' fiduciary duty of care, i.e., the duty to exercise informed business judgment in managing a corporation's affairs. The new provisions of the Law do not affect directors' liability for monetary damages for breaches of their duty of loyalty, i.e., the requirement that, in making a business decision, directors act in good faith and in the honest belief that the action taken was in the best interest of the corporation; for acts or omissions involving bad faith, intentional misconduct or a knowing violation of law; for transactions from which a director derives an improper personal benefit; or pursuant to Section 174 of the Delaware Corporation Law, which deals with unlawful dividend payments, stock purchases and stock redemptions. Nor do the new provisions of the Law affect the availability of equitable remedies, such as injunction or rescission, for breach of fiduciary duty.

In light of the new provisions of the Law, the Board of Directors, on March 4, 1987, approved for consideration by the stockholders an amendment of the Company's Certificate of Incorporation (the "Amendment") to add a new Article Sixteenth thereto as follows:

"No Director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for any breach of fiduciary duty as a Director. Notwithstanding the foregoing, a Director shall be liable to the extent provided by applicable law (i) for breach of the Director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the Director derived an improper personal benefit. No amendment to or repeal of these provisions shall apply to or have any effect on the liability or alleged liability of any Director of the Corporation for or with respect to any acts or omissions of such Director occurring prior to such amendment."

The full text of a proposed certificate of amendment to the Certificate of Incorporation is attached to this proxy statement as Exhibit A.

The Board of Directors believes that, if the Amendment is approved, the developments described by the Delaware State Bar Association, which accurately reflect the Company's own experience with respect to the significantly increased cost of obtaining meaningful directors' liability insurance coverage, will be substantially overcome and the Company will continue to be able to attract and retain qualified persons to serve as Directors. It should be noted that the Amendment is not being proposed in response to any resignation or threat of resignation by any Director and no litigation involving the Board of Directors or any Director is currently pending or threatened. Inasmuch as Directors of the Company may benefit from the Amendment if it is approved by stockholders, the members of the Board who recommended the Amendment have an interest in its approval.

Since the new provisions of the Law have only recently been enacted, there has not yet been any judicial interpretation of their precise scope or validity. Courts could rule, under various legal theories, that certain liabilities which the Law purports to allow the Company to eliminate remain, notwithstanding the adoption of the Amendment. The Amendment's coverage extends only so far as legally permitted. Nevertheless, under the Amendment, if adopted, Directors may be determined not to be liable for grossly negligent business decisions, including decisions in connection with takeover proposals, mergers or other business combinations. Moreover, to the extent that certain claims against Directors involving a breach of fiduciary duty are limited to equitable remedies, the Amendment may result in a reduced likelihood of derivative litigation and may discourage stockholders or management from initiating litigation against Directors for breach of their duty of care.

The Amendment does not protect officers or employees of the Company (including Directors in their capacity as officers or employees of the Company) from personal liability. Nor does it protect Directors from liability under any other laws such as the Federal securities laws. The Amendment relates only to liability of Directors to the Company and its stockholders and does not affect liability directly to third parties. Furthermore, the Amendment will not apply to any act or omission of a Director occurring prior to the effective date of the Amendment.

The Company's Certificate of Incorporation presently provides for indemnification by the Company, to the extent permitted by law, of Directors, officers and employees in certain circumstances. Moreover, it continues to be the Company's policy to insure its Directors and officers, to the extent permitted by law, against such liabilities to which they may become subject by reason of their service to the Company.

The Securities and Exchange Commission is of the opinion that indemnification for liabilities arising under the Securities Act of 1933, as amended (the "Securities Act"), is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In connection with certain public filings, the Company may be required to undertake that if a claim for indemnification against such liabilities (other than the payment by the Company of expenses incurred or paid in the successful defense of any action, suit or proceeding) is asserted by a Director or officer of the Company in connection with securities being registered under such public filing, the Company will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The proposed amendment to the Certificate of Incorporation must be approved by an affirmative vote of a majority of the outstanding shares of Common Stock. The Board of Directors recommends that stockholders vote **FOR** the proposed amendment.

3. AMENDMENTS OF THE NON-QUALIFIED STOCK OPTION PLAN OF 1984

The Board of Directors believes that the future success of the Company is significantly dependent upon the ability of the Company to secure and retain the services of employees who, by virtue of their ability and qualifications, make important contributions to the Company. This entails providing them

with awards and incentives commensurate with their contributions and competitive with those offered by other employers. Accordingly, the Board of Directors, at its March 4, 1987 meeting, adopted, subject to the approval of stockholders, amendments to the Company's Non-Qualified Stock Option Plan of 1984 ("Stock Option Plan"). These amendments would give the Company greater flexibility to provide key employees with meaningful awards and incentives under the circumstances from time to time prevailing.

The amendments would increase the number of shares of the Company's Common Stock available for options under the Stock Option Plan by 5,000,000 to an aggregate of 15,000,000 shares.

The amendments would also enable an optionee, whose employment is voluntarily terminated by resignation, to exercise, within three months from the date of such termination, any options which had vested prior to such termination, where the optionee has not entered into employment with a competitor of the Company or any subsidiary at the time of exercise. Currently, under the Plan, an optionee who voluntarily resigns forfeits the right to exercise options after termination of employment.

As a result of grants made under the Stock Option Plan, 1,640,550 shares remain available at March 5, 1987 for future options under such Plan. In addition, 7,939,285 shares previously granted under the Stock Option Plan remain unexercised at that time and would become available for future grants if they should lapse.

The Committee administering the Plan is empowered to grant stock appreciation rights to optionees with respect to some or all of the options granted. Each such stock appreciation right is exercisable only at the time a related stock option is exercisable, with exercise of a stock appreciation right preventing an exercise of the related option. Under the amendments, the Committee would be empowered to grant stock appreciation rights with respect to some or all of the additional 5,000,000 shares that would be available for options.

At its March 4, 1987 meeting, the Board of Directors terminated the Company's Senior Executive Stock Option/Stock Appreciation Right Plan of 1982 which, at such termination, had available for option awards 4,987,500 shares of the Company's Common Stock or 99.8% of the number of shares of Common Stock being proposed in the amendments of the Stock Option Plan.

A complete text of the Stock Option Plan with the proposed amendments is attached to this proxy statement as Exhibit B. Since its approval by stockholders in 1984, the Stock Option Plan was amended by the Board of Directors in 1985 and 1986 to meet technical requirements of the United Kingdom's Inland Revenue with respect to the granting of options to employees residing in the United Kingdom.

Under the Internal Revenue Code as it is now in effect (the "Code"), an employee who is granted an award of options and stock appreciation rights under the Plan will realize no income, and the Company will be entitled to no deduction for federal income tax purposes at the time of the grant. An employee who is neither an officer nor a director, and an officer or director who exercises the election under §83(b) of the Code, will recognize ordinary compensation income upon the exercise of an award of options equal to the excess of the fair market value of the stock acquired upon exercise of the options over the exercise price and upon the exercise of an award of stock appreciation rights equal to the cash paid (or

the fair market value of the stock issued) to him. The Company will be entitled to an equivalent deduction. An officer or director who does not exercise the election under §83(b) of the Code will recognize ordinary compensation income with respect to a stock appreciation right at the time of exercise equal to the cash paid to him upon exercise of the right and ordinary compensation income with respect to an option (or with respect to a stock appreciation right if stock is issued to him) on the date six months following exercise equal to the excess, on that date, of the fair market value of the stock acquired upon exercise of the options over the exercise price (or with respect to stock acquired upon exercise of the stock appreciation right equal to the fair market value on that date). The Company will be entitled to an equivalent deduction at such time and in such amount as such participant recognizes income, assuming it complies with applicable withholding requirements. The tax basis of shares of the Company's Common Stock received upon exercise of options or stock appreciation rights will be their fair market value on the date compensation income is recognized.

The Stock Option Plan provides that the Company may deduct withholding taxes from all amounts payable in cash to participants in the Plan. The Company may also require the payment of taxes required to be withheld on shares received upon exercise of options or stock appreciation rights or, in lieu thereof, it may retain or sell a sufficient number of shares to cover the amount required to be withheld.

Additional information about the Stock Option Plan is provided in this proxy statement under the section entitled "Election of Directors—Executive Compensation and Related Information" at page 10.

On March 20, 1987, the closing price of the Company's Common Stock on the New York Stock Exchange was \$40.75 per share. The amendments to the Stock Option Plan must be approved by an affirmative vote of a majority of the outstanding shares of the Company's Common Stock represented at the meeting in person or by proxy.

The Board of Directors recommends that you vote **FOR** the adoption of the amendments to the Non-Qualified Stock Option Plan of 1984.

4. APPOINTMENT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors, based on the recommendation of the Audit Committee, has voted to continue to retain Arthur Andersen & Co. to serve as independent public accountants for the year 1987. The Board of Directors considers Arthur Andersen & Co. to be eminently qualified, and is submitting its selection of such firm to the stockholders for ratification. If the selection is not ratified, the Board of Directors will reconsider its selection. Arthur Andersen & Co. expects to have a representative at the meeting who will be available to answer appropriate questions. (For further information regarding the Audit Committee, see "Election of Directors—Board of Directors' Meetings, Committees and Fees.")

The Board of Directors recommends that you vote **FOR** the ratification of the appointment of Arthur Andersen & Co. to audit the books and accounts of the Company for the year 1987.

5. OTHER MATTERS

At the date of this Proxy Statement, the management has no knowledge of any business other than that described herein which will be presented for consideration at the meeting. In the event any other business is presented at the meeting, it is intended that the persons named in the enclosed proxy will have authority to vote such proxy in accordance with their judgment on such business.

The Company will not consider any stockholder proposal for inclusion in the 1988 Annual Meeting of Stockholders' proxy material unless received by the Company not later than December 2, 1987.

By Order of the Board of Directors,

ARNOLD S. OLSHIN
Secretary

March 30, 1987

**CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION**

and Secretary, respectively, of Salomon Inc, a corporation organized and existing under the laws of the State of Delaware, hereby certify:

FIRST: That a new Article SIXTEENTH of the Certificate of Incorporation of Salomon Inc be added as follows:

“SIXTEENTH: No Director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for any breach of fiduciary duty as a Director. Notwithstanding the foregoing, a Director shall be liable to the extent provided by applicable law (i) for breach of the Director’s duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the Director derived an improper personal benefit. No amendment to or repeal of these provisions shall apply to or have any effect on the liability or alleged liability of any Director of the Corporation for or with respect to any acts or omissions of such Director occurring prior to such amendment.”

SECOND: That the foregoing amendment has been duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

THIRD: That the capital of Salomon Inc will not be reduced under or by reason of said amendment.

FOURTH: That the foregoing amendment shall become effective at the time and on the day this certificate is filed in accordance with Section 103 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, this certificate has been made under the seal of Salomon Inc and has been signed by the undersigned, _____ and Secretary, respectively, of Salomon Inc this day of _____, 1987.

Attest:

Secretary

.....

SALOMON INC
NON-QUALIFIED STOCK OPTION PLAN OF 1984*

1. **Purposes.** This Non-Qualified Stock Option Plan (the "Plan"), of Salomon Inc (the "Company") is established so that the Company may make available to essential executives the opportunity to acquire ownership of Company stock pursuant to options constituting non-qualified stock options under the Internal Revenue Code. It is anticipated that such stock options will materially assist the Company in providing incentives to essential executives.

2. **Administration.** The Plan shall be administered by a committee (the "Committee"), which shall be appointed, from time to time, by the Board of Directors, and shall consist of not less than three outside directors of the Company who are not eligible to receive options under the Plan. The Committee shall have full power and authority, subject to the terms and conditions of the Plan, to determine the essential executives to whom awards may be made under the Plan, the number of such shares to be awarded to each of such essential executives, the applicable terms and conditions of such awards and all other matters which may arise in the administration of the Plan. The determination of the Committee concerning any matter arising under or with respect to the Plan or any awards granted hereunder shall be final, binding and conclusive on all interested persons. Awards shall be made only in accordance with the recommendation of the Committee and with the approval of the Board of Directors. The Committee may as to all questions of accounting rely conclusively upon any determinations made by the independent auditors of the Company.

3. **Stock Available for Options.** There shall be available for option under the Plan, *as amended in 1987*, a total of *15,000,000* shares of the Company's Common Stock (the "Stock"), subject to any adjustments which may be made pursuant to Section 5(g) hereof. Shares of Stock used for purposes of the Plan may be either authorized and unissued shares or treasury shares or both. Stock covered by options which have terminated or expired prior to exercise or have been surrendered and cancelled as contemplated by Section 7(b) hereof shall be available for further option hereunder.

4. **Eligibility.** Essential managers and other key employees, including officers and directors of the Company, and of any subsidiary corporation, as defined in Section 425(f) of the Internal Revenue Code ("Subsidiary"), of the Company, shall be eligible to receive options under the Plan, provided that no option may be granted to any director who is not also an employee of the Company or a Subsidiary.

5. **Terms and Conditions of Options.** Each option granted hereunder shall be in writing

* Proposed amendments are set forth in italics.

and shall contain such terms and conditions as the Committee may determine, which terms and conditions need not be the same in each case, subject to the following:

(a) **Option Price.** The price at which each share of Stock covered by an option granted hereunder may be purchased shall not be less than the greater of the par value of the Stock or the fair market value thereof at the date of grant, as determined by the Board of Directors. The "date of grant" shall be the date as of which an option shall become effective, as determined by the Committee, provided that the date of grant cannot precede the date on which the Committee awards such option.

(b) **Option Period.** The period for exercise of an option shall not exceed ten years from the date the option is granted. Options shall become exercisable during the option period at the rate of 20%, 30% and 50% of the original award as of each of the first, second and third anniversaries, respectively, of the date of grant. Options which have become exercisable shall remain exercisable until expiration or exercise, whichever occurs first.

(c) **Exercise of Options.** No option shall be exercisable until the expiration of at least one year from the date the option is granted. To exercise an option, the holder thereof shall give written notice to the Company specifying the number of shares to be purchased and accompanied by payment in full of the purchase price thereof. Such purchase price may be paid in cash, or, with the consent of the Committee, in whole or in part by the surrender of shares of Stock held for a period of time as determined by the Committee and having a fair market value, as determined by the Committee, equal to such purchase price or the portion thereof which is not paid in cash. An option holder shall have none of the rights of a stockholder until the shares are paid for in full and issued to him.

(d) **Grant of Stock Appreciation Rights.** The Committee shall have the right to grant stock appreciation rights ("SAR") to optionees. Each SAR shall be in respect of some or all shares of stock subject to an option concurrently granted ("related option"), as determined by the Committee. Each SAR shall represent the right to receive upon exercise, as determined by the Committee in its sole discretion, either cash or shares of Stock (valued at their market price on the date of exercise) in an amount equal to the excess of the fair market value of the shares issuable upon exercise of the related option over the option price fixed for such shares. Such SAR may be exercisable only at the time a related option would be exercisable and as otherwise permitted by applicable law. Each SAR shall provide that the exercise of such SAR prevents the exercise of the related option with respect to the number of shares which would have been issuable upon exercise of the related option and results in its cancellation to that extent.

(e) **Effect of Termination of Employment or Death.** No option may be exercised after the termination of employment of an optionee, except that: (i) if such termination occurs by reason of death or disability while employed, or retirement at normal or deferred retirement age under any retirement or profit-sharing plan maintained by the Company or any Subsidiary in which the optionee is employed, all options then held by the optionee shall become exercisable

at the time of such termination and may be exercised until the earlier of three years or the expiration of such options in accordance with their terms by the optionee, his legal representative or the person or persons to whom the optionee's rights are transferred by will or the laws of descent and distribution, as the case may be; (ii) if such termination occurs by reason of retirement at early retirement age under any retirement plan maintained by the Company or any Subsidiary in which the optionee is employed, any options then held by the optionee which were exercisable at the time of such termination may be exercised until the earlier of three years or the expiration of such options in accordance with their terms; (iii) if such termination is by action of the employer other than retirement as provided in (i) above and other than discharge for reason of willful violation of the rules of the Company or instructions of superior(s), any options held by the optionee which are exercisable at the time his employment terminates may be exercised by him for a period of three months after such termination; (iv) if such termination is by voluntary resignation of the optionee under circumstances where the optionee does not enter into employment with a competitor of the Company or any Subsidiary, any options held by the optionee which are exercisable at the time his employment terminates may be exercised by him for a period of three months after such termination; and (v) in the event of the death of an optionee within the period after termination of employment pursuant to (i), (ii), (iii) or (iv) above, his legal representative or the person or persons to whom the participant's rights are transferred by will or the laws of descent or distribution shall have a period of three years (in the case of (i) or (ii)) or three months (in the case of (iii) or (iv)) from the date of termination of the optionee's employment to exercise any options which the optionee could have exercised thereunder. Under the events of termination listed in clauses (ii), (iii), (iv) and (v) above, unexercisable options shall be forfeited unless the Committee, in its sole discretion, accelerates the exercisability of some or all of such options. In no event, however, shall any option be exercisable more than ten years from the date of grant thereof.

Nothing contained in the Plan or in any option granted hereunder shall confer on any employee any right to continue his employment or interfere in any way with the right of his employer to terminate his employment at any time.

(f) Nontransferability of Options. During an optionee's lifetime his option shall be exercisable only by him. No option shall be transferable other than by will or the laws of descent and distribution.

(g) Adjustment for Change in Stock Subject to Plan. In the event of a stock split, stock dividend, combination of shares, recapitalization, reorganization, merger, consolidation, rights offering, or any other change in the corporate structure or shares of the Company, the Board of Directors shall make such adjustments, if any, as it deems appropriate for purposes hereof in the number and kind of shares subject to the Plan, in the number and kind of shares covered by outstanding options, or in the option prices.

(b) **Registration, Listing and Qualification of Shares.** Each option shall be subject to the requirement that if at any time the Board of Directors of the Company shall determine that the registration listing or qualification of the shares covered thereby upon any securities exchange or under any federal or state law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the granting of such option or the purchase of shares thereunder, no such option may be exercised unless and until such registration, listing, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Board of Directors. Any person exercising an option shall make such representations and agreements and furnish such information as the Board of Directors may request to assure compliance with the foregoing or any other applicable legal requirements.

6. **Duration.** Unless sooner terminated by the Board of Directors, the Plan shall terminate on, and no option shall be granted hereunder after June 30, 1994.

7. (a) **Amendment.** The Board of Directors of the Company may amend the Plan at any time, provided that no amendment shall, unless approved by stockholders of the Company: (i) increase the maximum number of shares for which options may be granted under the Plan; (ii) reduce the minimum option price provided herein; or (iii) extend the period during which options may be granted or exercised, except that, notwithstanding the foregoing, the Board of Directors shall have the right to accept the surrender of and cancel options issued under the Plan and reissue those options and to amend the terms of outstanding options upon the following terms and conditions.

(b) **Surrender, Cancellation and Reissue of Options.** The Board of Directors may, upon invitation by it during the term of this Plan to any holder(s) of options under this Plan to do so, accept the surrender of outstanding options, cancel such options and issue in exchange therefor new options under this Plan provided

(1) the tender of options for surrender is in accordance with such conditions as the Board of Directors may set forth in its invitation for that surrender;

(2) the number of shares covered by an option issued in exchange for a surrendered and cancelled option shall not exceed the number of shares covered by the option surrendered and cancelled;

(3) the price and all other terms of each option issued in exchange shall comply with the requirements of this Plan for the issuance of options; and

(4) no such invitation for surrender of options shall be made by the Board of Directors unless it shall have first received a recommendation of the Committee that it is in the interest of the Company to provide an opportunity for the surrender and cancellation of outstanding options and the issue of new options in exchange therefor upon more appropriate terms and conditions, including exercise price.

(c) **Amendment of Outstanding Options.** In the event that any options issued under this Plan shall remain outstanding after June 30, 1994 and if the Committee shall recommend and

the Board of Directors shall determine that it is in the interest of the Company to amend the terms and conditions, including price or prices, of such options, the Board shall have the right, by written notice to the holders thereof, to amend the terms and conditions thereof, including price or prices, provided (i) no such amendment shall be adverse to the holders of the option; (ii) no such amendment shall extend the period for exercise of an option or increase the number of shares then issuable upon exercise thereof; and (iii) the amended terms of an option, including price or prices, would have been permitted under this Plan had the Plan been outstanding at the time of such amendment.

8. **Effectiveness of Plan.** This Plan will not be made effective unless approved by the holders of not less than a majority of the outstanding shares of voting stock of the Company represented and entitled to vote thereon at a meeting thereof duly called and held for such purpose, and no option granted hereunder shall be exercisable prior to such approval.

9. **Other Actions.** This Plan shall not restrict the authority of the Board of Directors of the Company, for proper corporate purposes, to grant or assume stock options, other than under the Plan, to or with respect to any employee or other person.

10. **Withholding.** The Company shall have the right to deduct from all amounts payable in cash to an optionee under this Plan any taxes required by law to be withheld with respect to such cash payments or any amounts required to be withheld in order for the Company to claim an income tax deduction with respect to such cash payments. The Company shall have the right to require an optionee or other person entitled to receive Stock under this Plan to pay to the Company the amount which the Company is or will be required to withhold with respect to such Stock in order for the Company to pay taxes or to claim an income tax deduction with respect to such Stock. In lieu of such payment, the Company will be entitled to retain, or sell upon not less than 10 days' prior written notice to the optionee, a sufficient number of such Stock to cover the amount required to be withheld, such notice to be deemed given when sent first class, postage prepaid, to the address of the optionee as it appears on the records of the Company.

11. **United Kingdom Employees.** Options granted hereunder to eligible employees of the Company, or a Subsidiary, who reside in the United Kingdom shall, at the discretion of the Committee be subject to the terms and conditions of the Addendum to the Plan.

12. This Plan shall be known as the Non-Qualified Stock Option Plan of 1984.

ADDENDUM

A.1. Preamble

This Addendum is solely for the benefit of employees of the Company and of any subsidiary corporation (including Salomon Brothers International Ltd., a United Kingdom corporation) who reside in the United Kingdom. The terms and conditions of the Addendum are established in order to render the Plan capable of approval as an approved share option scheme under Schedule 10 of the Finance Act, 1984, of the United Kingdom, ("Schedule 10").

The Addendum should be read in conjunction with the Plan and is subject to the terms and conditions of the Plan except to the extent that the terms and conditions of the Plan differ from or conflict with the terms set out in the Addendum.

A.2. Eligibility Criteria

No employee residing in the United Kingdom shall be granted a share option under this Addendum unless he is a full-time director or qualifying employee of Salomon Inc or a company under the control (as defined in paragraph 15 of Schedule 10) of Salomon Inc.

A director is deemed to work full-time if he is employed on terms which require him to devote not less than 25 hours a week (exclusive of permitted breaks) to his duties. An employee qualifies if he devotes not less than 20 hours a week (exclusive of permitted breaks) to his duties.

An employee shall not obtain or exercise rights under this Addendum if at the time, or within the preceding twelve months, he has or has had a material interest in the Company whilst it is a close company and for these purposes Sections 282(1)(a) and 283 of the Income and Corporation Taxes Act 1970 of the United Kingdom shall be disregarded. A person has a material interest in the Company:

- a. If he, either on his own or with any one or more of his associates, or if any associate of his with or without any such other associates, is the beneficial owner of, or able, directly or through the medium of other companies or by any other indirect means, to control, more than 10 per cent, of the ordinary share capital of the Company, or,
- b. if, on the amount equal to the whole distributable income of the Company which could be apportioned under the close company legislation, more than 10 per cent of that amount could be apportioned to him together with his associates (if any), or to any associate of his, or any such associates taken together.

Associate has the meaning contained in Section 303 of the Taxes Act of the United Kingdom as modified by paragraph 4 of Schedule 10.

A.3. Stock Subject to the Addendum

No option may be granted to an individual under this Addendum with respect to stock which does not satisfy the requirements of paragraphs 7 to 11 of Schedule 10.

A.4. Limitations

No individual may be granted options under the Addendum which would, at the time they are obtained, cause the aggregate market value of the stock which he may acquire in pursuance of rights obtained under the Addendum or under any other plan approved under Schedule 10 and established by Salomon Inc or by any associated company (as defined in paragraph 15 of Schedule 10) of Salomon Inc (and not exercised) to exceed or further exceed the appropriate limit.

- a. £100,000 or
- b. four times the amount of the employee's relevant emoluments for the current or preceding year of assessment (whichever of those years gives the greater amount) or, where there are no relevant emoluments for the preceding year of assessment, four times the amount of the employee's relevant emoluments for the period of twelve months beginning with the first day during the current year of assessment in which there were relevant emoluments.

For the purpose of sub-clause b. above, relevant emoluments comprise such of the employee's emoluments as are liable to be paid under deduction of tax pursuant to Section 204 of the Taxes Act of the United Kingdom after deducting from them amounts included by virtue of Chapter II of part III of the Finance Act 1976 of the United Kingdom.

A.5. Transfer of Rights

If the holder dies before exercising an option, such option may (if the terms of grant permit) be exercised by his personal representatives after (but not later than one year after) the date of death of such holder.

A.6. Terms and Conditions

The terms and conditions as the committee may determine under Section 5 of the Plan shall require the prior approval of the Board of Inland Revenue if they differ from the provisions contained in the Plan and this Addendum. The price at which stock may be acquired on the exercise of an option may be adjusted pursuant to Section 5(g) of the Plan only in the event of a variation within the meaning of paragraph 13 of Schedule 10 provided that no such change shall be made to the terms and conditions as they affect the Addendum unless the prior approval of the Board of the Inland Revenue is obtained.

A.7. Stock Appreciation Rights

Stock Appreciation Rights shall not be granted to employees obtaining rights under this Addendum.

A.8. Exercise of Options

- a. The Company will use all best endeavors to allocate shares within thirty days of the date of exercise of an option.
- b. On exercise of an option granted under this Addendum, the purchase price must be paid in full in cash.

A.9. Surrender, Cancellation and Reissue of Options

The Board of Directors may only accept the surrender of or cancel options pursuant to Section 7(b) of the Plan if written consent is obtained from the holder of the surrendered or cancelled option.

A.10. Amendment of Outstanding Options

Section 7(c) of the Plan does not apply in respect of options granted under this Addendum.

A.11. Amendment of the Addendum

The terms of the addendum shall not be amended unless it has, nor shall any amendment of the Plan extend to the Addendum except to the extent that it has, been approved by the Board of Inland Revenue of the United Kingdom.

A.12. Definitions

For the above purpose the following terms shall have the meanings listed below:

- a. 'Individual' shall mean an employee of Salomon Inc or any company controlled by it (as defined in Clause A.2.) who is eligible to receive options under this Addendum.
- b. 'Fair Market Value' or 'Market Value' shall mean the closing price of the stock on the New York Stock Exchange Inc. as reported by The Wall Street Journal.
- c. 'Addendum' shall mean the Salomon Inc Non-Qualified Stock Option Plan of 1984 as modified by this Addendum and the expressions 'the Addendum' or 'this Addendum' shall bear the same meaning.
- d. 'The Plan' shall mean the Salomon Inc Non-Qualified Stock Option Plan of 1984.
- e. 'Year of assessment' shall mean a year commencing on 6 April and ending on 5 April in the following year.