PRICING SUPPLEMENT NO. 7 DATED April 19, 1994 Rule 424(b)(3)
(To the Prospectus Dated August 13, 1993 and the Prospectus Supplement dated August 17, 1993) File No. 33-66004

AIR PRODUCTS AND CHEMICALS, INC.
MEDIUM-TERM NOTES, SERIES C
DUE FROM 9 MONTHS TO 10 YEARS FORM DATE OF ISSUE
S&P 500 LINKED NOTES

Trade Date: April 19, 1994 Original Issue Date: May 3, 1994 Maturity Date: May 3, 2001

Range of Maturities	Interest Rate Per Annum
From 9 months to less than 1 year	----------%
From 1 year to less than 18 months	----------%
From 18 months to less than 2 years	----------%
From 2 years to less than 3 years	----------%
From 3 years to less than 4 years	----------%
From 4 years to less than 5 years	----------%
From 5 years to less than 6 years	----------%
From 6 years to less than 7 years	----------%
From 7 years to less than 8 years	2.66%
From 8 years to less than 9 years	----------%
From 9 years up to and including 10	----------%

Principal Amount: $10,000,000.00 Face Amount: $10,000,000.00 Issue Price: Par

Specified Currency: U.S. Dollars
(If other than U.S. dollars, see attached)

Base Exchange Rate: N/A Exchange Rate Agent: N/A

Agent: Lehman Brothers Inc. Agent's Commission: $50,000.00

Net Proceeds to Issuer: $9,950,000.00

Interest Payment Dates: May 3 of each year beginning in 1995 and ending in 2001

Base Interest Rate: 2.66% Record Dates: N/A

Global Note : [x] Yes [ ] No Form: [x] Book-Entry [ ] Certificated Depositary: DTC

Indexed Commodity: S&P 500 Index. See "The Standard & Poor's 500 Index" below.

Calculation Dates: See "Description of Index Notes" below. Calculation Agent: Lehman Brothers Inc.

Yield to Maturity: See "Description of Index Notes" below. Reference Dealers: N/A

Payment at Maturity: See "Description of Index Notes" below. Participation Rate: 100%

Final Average Level: See "Description of Index Notes" below. Placement Agent: Lehman Brothers Inc.

Total Amount of OID: N/A Initial Accrued Period OID: N/A

Redemption: Check box opposite applicable sentence.

[x] The Notes cannot be redeemed prior to maturity.

[ ] The Notes may be redeemed prior to maturity.

Terms of Redemption: N/A

Repayment: Check the box opposite applicable sentence.

[x] The Notes cannot be repaid prior to maturity.

[ ] The Notes may be repaid prior to maturity.

Terms of Repayment: N/A

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DESCRIPTION OF INDEX NOTES

I. GENERAL.

The following description of the particular terms of the Notes offered hereby (the "Index Notes") supplements, and to the extent inconsistent therewith replaces, the description of the general terms and provisions of the Notes set forth in the accompanying Prospectus Supplement and the description of Securities set forth in the accompanying Prospectus, to which descriptions reference is hereby made. The term "Issuer," as used herein, shall mean Air Products and Chemicals, Inc. All terms used herein but not otherwise defined herein and which are defined in the accompanying Prospectus or Prospectus Supplement shall have the meanings therein assigned to them.

II. MATURITY AMOUNT.

The amount payable at maturity in respect of each Index Note (the "Maturity Amount") will be equal to the greater of (i) the principal amount of such Index Note ("Principal Amount") and (ii) the Index Maturity Amount.

The "Index Maturity Amount" with respect to any Index Note means an amount equal to the sum of (i) the Principal Amount and (ii) the product of (x) the Principal Amount, (y) the Index Appreciation Ratio and (z) the Participation Rate. Where:

"Index Appreciation Ratio" means:

$$\frac{\text{Final Average Index Value} - \text{Initial Index Value}}{\text{Initial Index Value}}$$

"Participation Rate" means 100%

The "Initial Index Value" equals 442.54, the closing value of the S&P 500 Index on April 19, 1994.

The "Final Average Index Value" of the S&P 500 Index will be determined by Lehman Brothers Inc. (the "Calculation Agent") and will equal the arithmetic average (mean) of the Annual Values, as defined below, for 1999, 2000 and 2001. The "Annual Value" for any year will be calculated during the "Calculation Period" for such year which will be from and including April 26 in 1999, April 26 in 2000 and April 25 in 2001 to and including the fifth scheduled Business Day after such date. The Annual Value for each year will equal the arithmetic average (mean) of the closing values of the S&P 500 Index on the first day in the applicable Calculation Period (provided that a Market Disruption Event, as defined under the caption "Market Disruption Event" below, shall not have occurred on such day) and on each succeeding Business Day (provided that a Market Disruption Event shall not have occurred on the applicable day) up to and including the last Business Day in the

applicable Calculation Period (each, a "Calculation Date") until the Calculation Agent has so determined such closing values for five Business Days. If a Market Disruption Event occurs on two or more of the Business Days during a Calculation Period, the Annual Value for the relevant year will equal the average of the values on Business Days on which a Market Disruption Event did not occur during such Calculation Period or, if there is only one such Business Day, the value on such day. If Market Disruption Events occur on all of such Business Days during a Calculation Period, the Annual Value for the relevant year shall equal the closing value of the S&P 500 Index on the last Business Day of the Calculation Period regardless of whether a Market Disruption Event shall have occurred on such day.

For purposes of determining the Final Average Index Value, a "Business Day" is a day on which The New York Stock Exchange is open for trading. All determinations made by the Calculation Agent shall be at the sole discretion of the Calculation Agent and, absent a determination by the Calculation Agent of a manifest error, shall be conclusive for all purposes and binding on the Issuer and beneficial owners of the Index Notes.

III. DISCONTINUANCE OF THE S&P 500 INDEX AND SUCCESSOR INDEX

If S&P discontinues publication of the S&P 500 Index and S&P or another entity publishes a successor or substitute index that the Calculation Agent determines, in its sole discretion, to be comparable to the S&P 500 Index (any such index being referred to hereinafter as a "Successor Index"), then, upon the Calculation Agent's notification of such determination to the Trustee and the Issuer, the Calculation Agent will substitute the Successor Index as calculated by S&P or such other entity for the S&P 500 Index.

If S&P discontinues publication of the S&P 500 Index and a Successor Index is not selected by the Calculation Agent or is no longer published on any of the Calculation Dates, the value to be substituted for the S&P 500 Index for any such Calculation Date will be calculated as described below under "Discontinuance of the S&P 500 Index."

If a Successor Index is selected or the Calculation Agent calculates a value as a substitute for the S&P 500 Index as described below, such Successor Index or value shall be substituted for the S&P 500 Index for all purposes, including for purposes of determining whether a Market Disruption Event exists.

If at any time the method of calculating the S&P 500 Index, or the value thereof, is changed in a material respect, or if the S&P 500 Index is in any other way modified such that in the opinion of the Calculation Agent, the S&P 500 Index does not fairly represent the value of the S&P 500 Index had such change or modification not been made, then, from and after such time, the Calculation Agent shall on each Calculation Date make such adjustments as, in the good faith judgment of the Calculation Agent, may be necessary in order to arrive at a calculation of a stock index comparable to the S&P 500 Index as if such change or modification had not

been made. For example, if the method of calculating the S&P 500 Index is modified so that the value of such S&P 500 Index is a fraction or a multiple of what it would have been if it had not been modified (e.g., due to a split in the S&P 500 Index), then the Calculation Agent shall adjust the S&P 500 Index in order to arrive at a value of the S&P 500 Index as if it had not been modified (e.g., as if such split had not occurred).

Discontinuance of the S&P 500 Index

If S&P discontinues publication of the S&P 500 Index and a Successor Index is available, then the Maturity Amount will be determined by referenced to the Successor Index, as provided above.

If the publication of the S&P 500 Index is discontinued and S&P or another entity does not publish a Successor Index on any of the Calculation Dates, the index to be substituted for the S&P 500 Index for any such Calculation Date will be computed by the Calculation Agent for each such Calculation Date in accordance with the following procedures:

(1) identifying the component stocks of the S&P 500 Index or any Successor Index as of the last date on which either of such indices was calculated by S&P or another entity and published by S&P or such other entity (each such component stock is an "Index Component Stock");

(2) for each Index Component Stock, calculating as of each such Calculation Date the product of the market price per share and the number of the then outstanding shares (such product referred to as the "Market Value" of such Index Component Stock), by reference to (a) the closing market price per share of such Index Component Stock as quoted by the New York Stock Exchange or the American Stock Exchange or any other registered national securities exchange that is the primary market for such Index Component Stock, or if no such quotation is available, then the closing market price as quoted by any other registered national securities exchange or the National Association of Securities Dealers Automated Quotation National Market System ("NASDAQ"), or if no such price is quoted, then the market price from the best available source as determined by the Calculation Agent (collectively, the "Exchanges") and (b) the most recent publicly available statement of the number of outstanding shares of such Index Component Stock;

(3) aggregating the Market Values obtained in clause (2) for all Index Component Stocks;

(4) ascertaining the Base Value* in effect as of the last day on which either the S&P 500 Index or any Successor Index was published by S&P or another entity, adjusted as described below;

(5) dividing the aggregate Market Value of all Index Component Stocks by the Base Value (adjusted as described below);

(6) multiplying the resulting quotient (expressed in decimals) by ten.

If any Index Component Stock is no longer publicly traded on any registered national securities exchange or in the over- the-counter market, the last available market price per share for such Index Component Stock as quoted by any registered national securities exchange or in the over-the-counter market, and the number of outstanding shares thereof at such time, will be used in computing the last available Market Value of such Index Component Stock. Such Market Value will be used in all computations of the S&P 500 Index thereafter.

If a company that has issued an Index Component Stock and another company that has issued an Index Component Stock are consolidated to form a new company, the common stock of such new company will be considered an Index Component Stock and the common stocks of the constituent companies will no longer be considered Index Component Stocks. If any company that has issued an Index Component Stock merges with, or acquires, a company that has not issued an Index Component Stock, the common stock of the surviving corporation will, upon the effectiveness of such merger or acquisition, be considered an Index Component Stock. In each such case, the Base Value will be adjusted so that the Base Value immediately after such consolidation, merger or acquisition will equal (a) the Base Value immediately prior to such event, multiplied by (b) the quotient of the aggregate Market Value of all Index Component Stocks immediately after such event, divided by the aggregate Market Value for all Index Component Stocks immediately prior to such event.

If a company that has issued an Index Component Stock issues a stock dividend, declares a stock split or issues new shares pursuant to the acquisition of another company, then, in each case, the Base Value will be adjusted so that the Base Value immediately after the time the particular Index Component Stock commences trading ex-dividend, the effectiveness of the stock split or the time new shares of such Index Component Stock commence trading equals (a) the Base Value immediately prior to such event, multiplied by (b) the quotient of the aggregate Market Value for all Index Component Stocks immediately after such event, divided by the aggregate Market Value of all Index Component Stocks immediately prior to

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* "Base Value" shall mean the aggregate of the mean average Market Value of the common stock of each company in a group of 500 companies substantially similar to the current S&P 500 group over the base period of the years 1941 through 1943.

such event. The Base Value used by the Calculation Agent to calculate the value described above will not necessarily be adjusted in all cases in which S&P, in its discretion, might adjust the Base Value (as described below).

IV. MARKET DISRUPTION EVENT

"Market Disruption Event" means either of the following events, as determined by the Calculation Agent:

(i) the suspension or material limitation (limitations pursuant to New York Stock Exchange Rule 80A (or any applicable rule or regulation enacted or promulgated by the New York Stock Exchange, any other self-regulatory organization or the Securities and Exchange Commission of similar scope as determined by the Calculation Agent) on trading during significant market fluctuations shall be considered "material" for purposes of this definition), in each case, for more than two hours of trading in 100 or more of the securities included in the S&P 500 Index, or

(ii) the suspension or material limitation, in each case, for more than two hours of trading (whether by reason of movements in price otherwise exceeding levels permitted by the relevant exchange or otherwise) in (A) future contracts related to the S&P 500 Index which are traded on the Chicago Mercantile Exchange or (B) option contracts related to the S&P 500 Index which are traded on the Chicago Board Options Exchange, Inc.

For purposes of this definition, a limitation on the hours in a trading day and/or number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the relevant exchange.

V. EVENTS OF DEFAULT AND ACCELERATION

In case an Event of Default with respect to any Index Notes shall have occurred and be continuing, the amount payable in respect of an Index Note upon any acceleration permitted by the Indenture, with respect to each $1,000 principal amount thereof, will be equal to the greater of (i) the Principal Amount and (ii) the Index Maturity Amount calculated as described in "Maturity Amount" with the following modifications. The Calculation Period used to calculate the final Annual Value of the Index Notes so accelerated will begin on the eighth scheduled Business Day next preceding the scheduled date for such early redemption. If such final Annual Value is the only Annual Value which shall have been calculated with respect to the Index Notes, such final Annual Value will be the Final Average Index Value. If one or two other Annual Values shall have been calculated with respect to the Index Notes for prior years when the Index Notes shall have been outstanding, the average of the final Annual Value and such one other Annual Value or such two other Annual Values, as the case may be, will be the Final Average Index Value. If a bankruptcy proceeding is commenced in respect of the Issuer, the claim with respect to an Index Note may be limited, under Section 502(b)(2) of Title 11 of the United States Code, to

the Principal Amount plus an additional amount of contingent interest calculated as though the date of the commencement of the proceeding were the maturity date of the Index Notes.

CERTAIN INVESTMENT CONSIDERATIONS

PAYMENT AT MATURITY

Investors should be aware that if the Final Average Index Value of the S&P 500 Index does not exceed the Initial Index Value, Holders of the Index Notes will be entitled to receive only the Principal Amount. Such Principal Amount is below what the Issuer would pay as interest as of the date hereof if the Issuer issued non-callable senior debt securities with a similar maturity as that of the Index Notes. The payment of the Principal Amount at maturity of the Index Notes is not expected to reflect the full opportunity costs implied by inflation or other factors relating to the time value of money.

The S&P 500 Index does not reflect the payment of dividends on the stocks underlying it and therefore, in addition to the considerations regarding averaging discussed below, the yield based on the S&P 500 Index to the maturity of the Index Notes will not produce the same yield as if such underlying stocks were purchased and held for a similar period.

Because the Final Average Index Value will be based upon average values of the S&P 500 Index during specified periods in three successive years, a significant increase in the S&P 500 Index as measured by the average values during the specified period in the final year, or in either earlier year, may be substantially or entirely offset by the average values of the S&P 500 Index during the specified periods in the other two years.

VALUE PRIOR TO MATURITY

There can be no assurance that there will be a secondary market for the Index Notes or liquidity in the secondary market if one develops. It is expected that the secondary market value of the Index Notes will be affected by the creditworthiness of the Issuer and by a number of other factors.
Because the Final Average Index Value is an average of three Annual Values as described above, the price at which the Holder of an Indexed Note will be able to sell such Note in the secondary market may be at a discount if the first or second such Annual Value is below the Initial Index Value.

The secondary market value of the Index Notes is expected to depend primarily on the extent of the appreciation, if any, of the S&P 500 Index over the Initial Index Value. If, however, Index Notes are sold prior to the Stated Maturity Date at a time when the S&P 500 Index exceeds the Initial Index Value, the sale price may be at a discount from the amount expected to be payable to the Holder if such excess of the S&P 500 Index over the Initial Index Value were to prevail until maturity of the

Index Notes because of the possible fluctuation of the S&P 500 Index between the time of such sale and the Stated Maturity Date and the effect of the value of the S&P 500 Index on prior days used to calculate the Final Average Index Value, if any. See "The Standard & Poor's 500 Index -- Historical Data on the S&P 500 Index" herein. Furthermore, the price at which a holder will be able to sell Index Notes prior to maturity may be at a discount, which could be substantial, from the principal amount thereof, if, at such time, the S&P 500 Index is below, equal to or not sufficiently above the Initial Index Value and/or if the value of the S&P 500 Index on prior days used to calculate the Final Average Index Value, if any, was below, equal to or not sufficiently above the Initial Index Value. A discount could also result from rising interest rates.

The secondary market value of the Index Notes may be affected by a number of interrelated factors, including those listed below. The relationship among these factors is complex, including how these factors affect the relative value of the principal amount of the Index Notes to be repaid at the maturity and the value of the supplemental redemption amount to be paid at maturity. Accordingly, investors should be aware that factors other than the level of the S&P 500 Index are likely to affect the secondary market value of the Index Notes. The expected effect on the secondary market value of the Index Notes of each of the factors listed below, assuming in each case that all other factors are held constant, is as follows:

Interest Rates. In general, if U.S. interest rates increase, the secondary market value of the Index Notes is expected to decrease. If U.S. interest rates decrease, the value of the Index Notes is expected to increase. Interest rates may also affect the U.S. economy, and, in turn, the value of the S&P 500 Index. Rising interest rates may lower the value of the S&P 500 Index and, thus, the Index Notes. Falling interest rates may increase the value of the S&P 500 Index and, thus, may increase the value of the Index Notes.

Volatility of the S&P 500 Index. If the volatility of the S&P 500 Index increases, the secondary market value of the Index Notes is expected to increase. If the volatility of the S&P 500 Index decreases, the secondary market value of the Index Notes is expected to decrease.

Time Remaining to Maturity. The secondary market value of the Index Notes may be above that which may be inferred from the level of interest rates and the S&P 500 Index. This difference will reflect a "time premium" due to expectations concerning the value of the S&P 500 Index during the period prior to maturity of the Index Notes. As the time remaining to maturity of the Index Notes decreases, however, this time premium is expected to decrease, thus decreasing the secondary market value of the Index Notes. In addition, the price at which a Holder may be able to sell Index Notes prior to maturity may be at a discount, which may be substantial, from the minimum expected value at maturity if one or more Annual Values were below, equal to or not sufficiently above the Initial Index Value.

Dividend Rates in the United States. If dividend rates on the stocks comprising the S&P 500 Index increase, the value of the Index Notes is expected to decrease. Conversely, if dividend rates on the stocks comprising the S&P 500 Index decrease, the value of the Index Notes is expected to increase. However, in general, rising U.S. corporate dividend rates may increase the value of the S&P 500 Index and, in turn, increase the value of the Index Notes. Conversely, falling U.S. dividend rates may decrease the value of the S&P 500 Index and, in turn, decrease the value of the Index Notes.

OTHER CONSIDERATIONS

It is suggested that prospective investors who consider purchasing the Index Notes should reach an investment decision only after carefully considering with their advisers the suitability of the Index Notes in the light of their particular circumstances.

Investors should also consider the tax consequences of investing in the Index Notes. See "Certain Federal Tax Consequences" herein.

THE STANDARD & POOR'S 500 INDEX

All disclosure contained in this Pricing Supplement regarding the S&P 500 Index, including, without limitation, its make-up, method of calculation and changes in its components, is derived from publicly available information prepared by S&P. Neither the Issuer nor Lehman Brothers Inc. takes any responsibility for the accuracy or completeness of such information.

GENERAL

The S&P 500 Index is published by S&P and is intended to provide an indication of the pattern of common stock price movement. The calculation of the value of the S&P 500 Index (discussed below in further detail) is based on the relative value of the aggregate Market Value (as defined below) of the common stocks of 500 companies as of a particular time as compared to the aggregate average Market Value of the common stocks of 500 similar companies during the base period of the years 1941 through 1943. As of November 30, 1993, the 500 companies included in the S&P 500 Index represented approximately 75% of the aggregate Market Value of common stocks traded on The New York Stock Exchange; however, the 500 companies are not the 500 largest companies listed on The New York Stock Exchange and not all 500 companies are listed on such exchange. As of November 30, 1993, the aggregate market value of the 500 companies included in the S&P 500 Index represented approximately 70% of the aggregate market value of United States domestic, public companies. S&P chooses companies for inclusion in the S&P 500 Index with the aim of achieving a distribution by broad industry groupings that approximates the distribution of these groupings in the common stock population of The New York Stock Exchange, which S&P uses as an assumed model for the composition of the total market. Relevant criteria employed by S&P include the viability of the particular company, the extent to which that company represents

the industry group to which it is assigned, the extent to which the market price of that company's common stock is generally responsive to changes in the affairs of the respective industry and the Market Value and trading activity of the common stock of that company. As of November 30, 1993, the 500 companies included in the Index were divided into 87 individual groups. These individual groups comprised the following four main groups of companies (with the number of companies currently included in each group indicated in parentheses): Industrials (380), Utilities (47), Transportation (16) and Financial (57). S&P may from time to time, in its sole discretion, add companies to, or delete companies from, the S&P 500 Index to achieve the objectives stated above.

The Index Notes are not sponsored, endorsed, sold or promoted by S&P. S&P makes no representation or warranty, expressed or implied, to the owners of the Index Notes or any member of the public regarding the advisability of investing in securities generally or in the Index Notes particularly or the ability of the S&P 500 Index to track general stock market performance. S&P's only relationship to Lehman Brothers Inc. and the Issuer (other than transactions in the ordinary course of business) is the licensing of certain trademarks and trade names of S&P and the S&P 500 Index which is determined, composed and calculated by S&P without regard to Lehman Brothers Inc., the Issuer or the Index Notes. S&P has no obligation to take the needs of Lehman Brothers Inc., the Issuer or the owners of the Index Notes into consideration in determining, composing or calculating the S&P 500 Index. S&P is not responsible for and has not participated in the determination of the timing of the sale of the Index Notes, prices at which the Index Notes are initially to be sold, or quantities of the Index Notes to be issued or in the determination or calculation of the equation by which the interest on the Index Notes is to be converted into cash. S&P has no obligation or liability in connection with the administration, marketing or trading of the Index Notes.

S&P DOES NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE S&P 500 INDEX OR ANY DATA INCLUDED THEREIN AND S&P SHALL HAVE NO LIABILITY FOR ANY ERRORS, OMISSIONS, OR INTERRUPTIONS THEREIN. S&P MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY LEHMAN BROTHERS INC., THE ISSUER, OWNERS OF THE INDEX NOTES, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE S&P 500 INDEX OR ANY DATA INCLUDED THEREIN. S&P MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE S&P 500 INDEX OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL S&P HAVE ANY LIABILITY FOR ANY SPECIAL, PUNITIVE, INDIRECT OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

COMPUTATION OF THE S&P 500 INDEX

S&P currently computes the S&P 500 Index as of a particular time as follows:

(1) the Market Value of each component stock is determined as of such time;

(2) the Market Value of all component stocks as of such time (as determined under clause (1) above) are aggregated;

(3) the mean average of the Market Values as of each week in the base period of the years 1941 through 1943 of the common stock of each company in a group of 500 substantially similar companies is determined;

(4) the mean average Market Values of all such common stocks over such base period (as determined under clause (3) above) are aggregated (such aggregate amount being referred to as the "Base Value");

(5) the aggregate Market Value of all component stocks as of such time (as determined under clause (2) above) is divided by the Base Value; and

(6) the resulting quotient (expressed in decimals) is multiplied by ten.

While S&P currently employs the above methodology to calculate the S&P 500 Index, no assurance can be given that S&P will not modify or change such methodology in a manner that may affect the Maturity Amount payable to Index Noteholders.

S&P adjusts the foregoing formula to negate the effect of changes in the Market Value of a component stock that are determined by S&P to be arbitrary or not due to true market fluctuations. Such changes may result from such causes as the issuance of stock dividends, the granting to shareholders of rights to purchase additional shares of such stock, the purchase thereof by employees pursuant to employee benefit plans, certain consolidations and acquisitions, the granting to shareholders of rights to purchase other securities of the company, the substitution by S&P of particular component stocks in the S&P 500 Index, and other reasons. In all such cases, S&P first recalculates the aggregate Market Value of all component stocks (after taking account of the new market price per share of the particular component stock or the new number of outstanding shares thereof or both, as the case may be) and then determines the new Base Value in accordance with the following formula:

$$\text{Old Base Value} \times \frac{\text{New Market Value}}{\text{Old Market Value}} = \text{New Base Value}$$

The result is that the Base Value is adjusted in proportion to any change in the aggregate Market Value of all component stocks resulting from the causes referred to above to the extent necessary to negate the effects of such causes upon the S&P 500 Index.

HISTORICAL DATA ON THE S&P 500 INDEX

The following tables set forth the closing values of the S&P 500 Index on the last business day of each year from 1947 through 1986 and the high, low and closing value of the S&P 500 Index for each quarter from 1987 to the present, as published by S&P. The historical experience of the S&P 500 Index should not be taken as an indication of future performance.

YEAR END VALUE OF THE S&P 500 INDEX

YEAR	CLOSING VALUE	YEAR	CLOSING VALUE
1947	15.30	1967	96.47
1948	15.20	1968	103.86
1949	16.76	1969	92.06
1950	20.41	1970	92.15
1951	23.77	1971	102.09
1952	26.57	1972	118.05
1953	24.81	1973	97.55
1954	35.98	1974	68.56
1955	45.48	1975	90.19
1956	46.67	1976	107.46
1957	39.99	1977	95.10
1958	55.21	1978	96.11
1959	59.89	1979	107.94
1960	58.11	1980	135.76
1961	71.55	1981	122.55
1962	63.10	1982	140.64
1963	75.02	1983	164.93
1964	84.75	1984	167.24
1965	92.43	1985	211.28
1966	80.33	1986	242.17

QUARTERLY VALUES OF THE S&P 500 INDEX SINCE 1987

	HIGH	LOW	CLOSING VALUE
1987:			
1st Quarter	301.64	246.45	291.70
2nd Quarter	309.65	278.21	304.00
3rd Quarter	336.77	302.94	321.83
4th Quarter	328.08	223.92	247.08
1988:			
1st Quarter	271.22	242.63	258.89
2nd Quarter	275.66	250.83	273.50
3rd Quarter	275.81	256.98	271.91
4th Quarter	283.66	263.82	277.72
1989:			
1st Quarter	299.63	275.31	294.87
2nd Quarter	328.44	295.29	317.98
3rd Quarter	353.73	319.23	349.15
4th Quarter	359.80	332.61	353.40
1990:			
1st Quarter	359.69	322.98	339.94
2nd Quarter	367.40	329.11	358.02
3rd Quarter	368.95	300.97	306.05
4th Quarter	331.75	295.46	330.22
1991:			
1st Quarter	376.72	311.49	375.22
2nd Quarter	390.45	368.57	371.16
3rd Quarter	396.64	373.33	387.86
4th Quarter	417.09	375.22	417.09
1992:			
1st Quarter	420.77	403.00	403.69
2nd Quarter	418.49	394.50	408.14
3rd Quarter	425.27	409.16	417.80
4th Quarter	441.28	402.66	435.71
1993:			
1st Quarter	456.33	429.05	451.67
2nd Quarter	453.85	433.54	450.53
3rd Quarter	463.56	441.43	458.93
4th Quarter	470.94	457.48	466.45
1994:			
1st Quarter	482.00	445.55	445.76
2nd Quarter (through April 19, 1994)	450.88	438.92	442.54

CERTAIN FEDERAL TAX CONSEQUENCES

The following discussion supplements the information set forth in the accompanying Prospectus Supplement under the heading "United States Tax Considerations," and should be read in conjunction with such information.

The following is a summary of the principal United States federal tax consequences resulting from the ownership of Index Notes by certain holders. It does not purport to consider all the possible tax consequences of the purchase, ownership, or disposition of the Index Notes, and it is not intended to reflect the individual tax position of any holder. Except as expressly indicated, it does not deal with special tax situations, such as dealers in securities. The discussion applies only to any holder of an Index Note that is a "United States person" (a "U.S. Holder"). For purposes of this discussion, a United States person is a citizen or resident of the United States, a corporation, partnership, or other entity created or organized under the laws of the United States, or an estate or trust the income of which is subject to United States federal income taxation regardless of its source, and the "United States" means the United States of America (including the States and the District of Columbia). The discussion may not be applicable to non-U.S. Holders. The discussion is based upon the United States federal tax laws and regulations as now in effect and as currently interpreted and does not take into account possible changes in such tax laws or such interpretations. Under such tax laws and regulations, the proper United States federal tax treatment is uncertain. The discussion does not include any description of the tax laws of any state or local governments, or of any foreign government, that may be applicable to the Index Notes or holders thereof. Persons considering the purchase of Index Notes should consult their own tax advisors concerning the application of the United States federal tax laws to their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction.

GENERAL

There are no regulations (except the Proposed Regulations as described below), published rulings or judicial decisions involving the characterization, for United States federal income tax purposes, of securities with terms substantially the same as the Index Notes. However, although the matter is not free from doubt, the Issuer currently intends to treat the Index Notes as debt instruments of the Issuer for United States federal income tax purposes and, where required, intends to file information returns with the Internal Revenue Service ("IRS") in accordance with such treatment, in the absence of any change or clarification in the law, by regulation or otherwise, requiring a different characterization. The discussion below is based upon the assumption that the Index Notes will be treated as debt instruments of the Issuer for United States federal income tax purposes.

The following discussion supplements the information set forth in the accompanying Prospectus Supplement under the heading "United States Tax Considerations--United States Holders".

Under general principles of current United States federal income tax law, payments of interest on an Index Note generally will be taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received (in accordance with the U.S. Holder's regular method of tax accounting). Despite the foregoing, nonperiodic payments of interest on an Index Note generally will be treated as original issue discount ("OID"), for United States federal income tax purposes, and will be includible in income by a U.S. Holder as ordinary interest as it accrues over the term of the Index Note under a constant yield method in advance of receipt of the cash payments attributable to such income, regardless of the U.S. Holder's regular method of tax accounting. Under these general principles, the excess of the Maturity Amount payable with respect to an Index Note over the Principal Amount (the "Additional Interest Amount"), if any, would be treated as contingent interest and generally would be includible in income by a U.S. Holder as ordinary interest on the date the Maturity Amount is accrued (i.e., determined) or when such amount is received (in accordance with the U.S. Holder's regular method of tax accounting). It is possible, however, that as of the last Calculation Date in one or more certain Calculation Periods (other than the final Calculation Period), the sum of the Annual Value calculated during the Calculation Period to which such last Calculation Date relates and the Annual Values for all prior Calculation Periods, if any, would equal an amount such that the Maturity Amount is certain to exceed the Principal Amount even if the Annual Values for all subsequent Calculation Periods were to be zero (such Maturity Amount is hereinafter referred to as the "Fixed Maturity Amount" and each last Calculation Date relating to a certain Fixed Maturity Amount is hereinafter referred to as a "Fixing Calculation Date"). Under such circumstances, an accrual method U.S. Holder would be required to include in income on the Fixing Calculation Date, as ordinary interest, an amount equal to the portion of the excess of the Fixed Maturity Amount over the Principal Amount (the "Fixed Additional Interest Amount") that has accrued as of the Fixing Calculation Date. The remaining portion of the Fixed Additional Interest Amount would be includible in income by an accrual method U.S. Holder as ordinary interest as it accrues over a period commencing on the Fixing Calculation Date and concluding on the Stated Maturity Date. A cash method U.S. Holder, however, would not be required to include any portion of the Fixed Additional Interest Amount in income prior to receipt of the Maturity Amount.

Upon the sale or exchange of an Index Note prior to the Stated Maturity Date, a U.S. Holder generally would recognize taxable gain or loss equal to the difference between the amount realized upon the sale or exchange and such U.S. Holder's adjusted tax basis in the Index Note. A U.S. Holder's adjusted tax basis in an Index Note generally will equal such U.S. Holder's initial investment in the Index Note increased by the amount of any OID included in income by the U.S. Holder. Such gain or loss generally should be capital gain or loss and should be long-term capital gain or loss if the Index Note were held by the U.S. Holder for more than one year (subject to the market discount rules). Prospective investors in the Index Notes

should be aware, however, that it is possible that the IRS could assert that any amounts realized upon the sale or exchange of an Index Note prior to the Stated Maturity Date in excess of the sum of the principal amount thereof and the amount of OID which has accrued on the Index Note as of the date of such sale or exchange constitutes ordinary interest income (subject to the bond premium rules).

As discussed below, the Treasury Department has issued proposed regulations that could potentially apply to the Index Notes and holders thereof. There is no assurance that the proposed regulations will be adopted, or, if adopted, that they will be adopted in their current form. It should also be noted that proposed Treasury regulations are not binding upon either the IRS or taxpayers prior to becoming effective as temporary or final regulations. Prospective investors in the Index Notes are urged to consult their own tax advisors regarding the application of the proposed regulations to their investment in the Index Notes, if any, and the effect of the possible changes to the proposed regulations.

It is not entirely clear under current law how the Index Notes would be taxed since they are classified as contingent payment debt obligations. The Additional Interest Amount would be treated as contingent interest and generally would be includible in income by a U.S. Holder as ordinary interest on the date the Maturity Amount is accrued (i.e., determined) or when such amount is received (in accordance with the U.S. Holder's regular method of tax accounting). In addition, in the event of a Fixing Calculation Date, an accrual method U.S. Holder would be required to include in income on such Fixing Calculation Date, as ordinary interest, an amount equal to the portion of the Fixed Additional Interest Amount that has accrued as of the Fixing Calculation Date. The remaining portion of the Fixed Additional Interest Amount would be includible in income by an accrual method U.S. Holder as ordinary interest as it accrues over a period commencing on the Fixing Calculation Date and concluding on the Stated Maturity Date.

In 1991, the Treasury Department issued proposed regulations (the "1991 Proposed Regulations") under the original issue discount provisions of the Code concerning contingent payment debt obligations which, if applicable to the Index Notes, would bifurcate an Index Note into a debt instrument and a right based upon the value of the S&P 500 Index. The 1991 Proposed Regulations contain a retroactive effective date of February 20, 1991. Thus, if the 1991 Proposed Regulations are ultimately adopted in their current form, such regulations would apply to the Index Notes and would cause the timing and character of income, gain or loss reported on an Index Note to differ from the timing and character of income, gain or loss reported on an Index Note had the 1991 Proposed Regulations not applied. Because of the uncertainty as to what regulations, if any, will apply to Index Notes, and the provisions of such regulations, purchasers should consult their own tax advisors with respect to the current application of the OID rules to such Index Notes.

The 1991 Proposed Regulations would treat an Index Note as consisting of two separate instruments: (i) the fixed payments (i.e., the debt instrument), consisting of the right to receive the Principal Amount (the "Fixed Payment"), and (ii) the contingent

payment, consisting of the right to receive the Additional Interest Amount (the "Contingent Payment"). An Index Note's original issue price would be allocated between the Fixed Payment and the Contingent Payment in accordance with their relative fair market values.

Under the 1991 Proposed Regulations, the Fixed Payment would be treated, for United States federal income tax purposes, as a separate debt obligation issued at an original issue discount. A U.S. Holder (whether a cash or accrual method taxpayer) would be required to include the original issue discount on an Index Note in gross income (using a constant yield method) over the Index Note's term in advance of receipt of the cash payments attributable to such income. The original issue discount required to be included in income with respect to an Index Note would be equal to the difference between the Principal Amount and the amount of the Index Note's original issue price allocated to the Fixed Payment. Unless the rights to the Contingent Payments are substantially equivalent to publically traded property, the issue price allocated to the Fixed Payment is determined in the same manner as if the Fixed Payment were a debt instrument issued as part of an investment unit. Under the 1991 Proposed Regulations, a U.S. Holder that disposes of an Index Note prior to its maturity would generally recognize taxable gain or loss, with respect to the Fixed Payment, in an amount equal to the difference (if any) between the portion of the sales proceeds allocated to such Fixed Payment (in accordance with the relative fair market values of the Fixed Payment and the Contingent Payment as determined on the date of disposition) and such U.S. Holder's adjusted tax basis in the Fixed Payment. A U.S. Holder's adjusted tax basis in the Fixed Payment generally would equal the portion of such U.S. Holder's initial investment in the Index Note that is allocated to the Fixed Payment (in accordance with the relative fair market values of the Fixed Payment and the Contingent Payment), increased by the amount of original issue discount previously included in income by such U.S. Holder with respect to the Fixed Payment.

Under the 1991 Proposed Regulations, the Contingent Payment would be treated separately from the Fixed Payment and taxed "in accordance with (its) economic substance". Although not entirely free from doubt, if the 1991 Proposed Regulations were applied to the Index Notes, under an "economic substance" analysis, the Contingent Payment would most likely be treated as an "unlisted" cash settlement option (an "S&P Right") on the S&P 500 Index. A U.S. Holder would recognize taxable gain or loss with respect to the S&P Right only upon its sale, exchange, expiration or payment at maturity. The gain or loss with respect to the S&P Right would generally be measured by the difference between the amount realized with respect to the S&P Right and its tax basis. A U.S. Holder's tax basis in the S&P Right generally would be the portion of the U.S. Holder's initial investment in the Index Note that is allocated to the Contingent Payment (in accordance with the relative fair market values of the Fixed Payment and the Contingent Payment). Such gain or loss on the S&P Right would generally be long-term capital gain or loss if the Index Note were held by the U.S. Holder for more than one year.

Prospective investors in the Index Notes should also be aware that it is possible that the IRS could assert that the S&P Right should be treated as a listed option that is a nonequity option subject to Code section 1256 (which includes the Code's mark- to-market rules). The IRS may take this position based on the fact that there are listed nonequity options and futures based on the S&P 500 Index. Although it is possible that if the 1991 Proposed Regulations were applicable to the Index Notes the S&P Right could be treated as a listed nonequity option, it is not clear that Code section 1256 and the 1991 Proposed Regulations contemplate such a result. Moreover, there are differences between the S&P Right and options on the S&P 500 Index that are actually traded which means that there is no public trading market from which to draw a market price.

If the 1991 Proposed Regulations were applicable to the Index Notes and if the S&P Right was treated as a "listed nonequity option", such S&P Right would generally be marked to market under Code section 1256, (i.e., treated as if it were sold for its fair market value on the last business day of the U.S. Holder's taxable year). Any resulting gain or loss would be treated as 60 percent long-term and 40 percent short-term capital gain or loss. Additionally, gain or loss on the sale, exchange, expiration or payment at maturity of the S&P Right would be 60 percent long-term and 40 percent short-term capital gain or loss. Prospective investors in the Index Notes should consult their own tax advisors as to the proper treatment of the S&P Right under the 1991 Proposed Regulations in the event that the 1991 Proposed Regulations are applied to the Index Notes.

There is no assurance that the 1991 Proposed Regulations will be adopted or, if adopted, adopted in their current form. In addition, on January 19, 1993, the Treasury Department issued proposed regulations (the "1993 Proposed Regulations"), concerning contingent payment debt obligations, which would have replaced the 1991 Proposed Regulations and which would have provided for a set of rules with respect to the timing and character of income recognition on contingent payment debt obligations that differ from the rules contained in the 1991 Proposed Regulations with respect to the timing and character of income recognition on contingent payment debt obligations. The 1993 Proposed Regulations, which would have applied to debt instruments issued 60 days or more after the date the 1993 Proposed Regulations became final, generally provided for several alternative timing methods which would have required annual interest accruals to reflect either a market yield for the debt instrument, determined as of the issue date, or a reasonable estimate of the performance of contingencies. The amount of interest deemed to accrue in a taxable year pursuant to such methods would have been currently includible in income by a U.S. Holder, with subsequent adjustments to the extent that the estimate of income was incorrect. In addition, under the 1993 Proposed Regulations, any gain recognized by a U.S. Holder on the sale, exchange or retirement of a contingent payment debt obligation would have been treated entirely as ordinary interest income and any loss recognized on the sale, exchange or retirement of a contingent payment debt obligation would have been treated entirely as a capital loss. However, on January 22, 1993, the United States Government's Office of Management and Budget announced that certain proposed regulations which had not yet been published in

the Federal Register, including the 1993 Proposed Regulations, had been withdrawn. It is unclear whether the 1993 Proposed Regulations will be re-proposed or, if re-proposed, what effect, if any, such regulations would have on the Index Notes. Based upon the foregoing, the continued viability of the 1991 Proposed Regulations is uncertain. It should also be noted that proposed Treasury regulations are not binding upon either the IRS or taxpayers prior to becoming effective as temporary or final regulations. Prospective investors in the Index Notes are urged to consult their own tax advisors regarding the application of the Proposed Regulations to their Investment in the Index Notes, if any, and the effect of possible changes to the Proposed Regulations.

MARKET DISCOUNT AND PREMIUM

Prospective investors in the Index Notes should be aware that the application of the market discount and premium rules to the Index Notes may differ from the application discussed in the accompanying Prospectus Supplement in the event that the 1991 Proposed Regulations are applied to the Index Notes. Persons considering an investment in the Index Notes are urged to consult their own tax advisors in this regard.

NON-UNITED STATES HOLDERS

The following discussion supplements the information set forth in the accompanying Prospectus Supplement under the heading "United States Tax Considerations--Non-United States Holders".

Under the 1991 Proposed Regulations, a portion of an Index Note equal to the fair market value of the Contingent Payment may be includible in the gross estate of a nonresident alien individual for United States federal estate tax purposes in the event that the 1991 Proposed Regulations were applied to the Index Notes.

PURCHASES AS PRINCIPAL

This Pricing Supplement relates to $10,000,000 aggregate principal amount of Notes that may be offered, as principal, by Lehman Brothers Inc. ("Lehman Brothers") from time to time to one or more investors or to one or more broker-dealers (acting as principal for purposes of resale) at varying prices related to prevailing market prices at the time of resale, as determined by Lehman Brothers. Net proceeds payable by Lehman Brothers to the Issuer will be $9,950,000, before deduction of expenses payable by the Issuer. In connection with the sale of the Notes, Lehman Brothers may be deemed to have received compensation from the Issuer in the form of underwriting discounts.