citigroup

Jane C. Sherburne
Deputy General Counsel
Litigation and Compliance

Citigroup Inc.
1101 Pennsylvania Avenue NW
Suite 530
Washington, DC 20004

Tel 202 220 3690
Fax 202 220 3699
New York 212 793 4942
sherburnej@citi.com

August 26, 2002

By Telecopy and First Class Mail

Hon. Michael G. Oxley, Chairman
Committee on Financial Services
U.S. House of Representatives
2129 Rayburn House Office Building
Washington, DC 20515

Hon. John J. LaFalce, Ranking Member
Committee on Financial Services
U.S. House of Representatives
B-301C Rayburn House Office Building
Washington, DC 20515

Dear Chairman Oxley and Ranking Member LaFalce:

Enclosed please find documents responsive to the Committee on Financial Services' subpoena to Citigroup dated August 14, 2002.[1] As you know, we requested a subpoena from the Committee so that we could provide the information you are seeking consistent with the Gramm Leach Bliley Act.

Recognizing the Committee's interest in the initial public offering process, we have sought not only to respond to your subpoena, but also to provide some contextual information about the IPO process. We welcome the Committee's examination of these issues.

While we believe that SSB has always allocated IPO shares in accordance with applicable regulatory standards and industry practice, we also understand that regulatory standards are evolving. We accept and embrace that change and are determined to take a leadership role in maintaining public confidence in the markets.

---

[1] The documents we are providing in response to the Committee's subpoena are bates numbered HRI 1 to HRI 8. Our responses to questions 1,2, 4 and 5 of the subpoena are contained in the spreadsheets we are submitting (HR 1-5), consistent with our agreement with Committee staff. In addition, we also are providing an overview of the IPO allocation process.

Let me make four points at the outset:

- First, the allocations made by the old institutional firm, Salomon Brothers, prior to its acquisition by Travelers and merger in November 1997 with Travelers' retail firm, Smith Barney, differed substantially from those made by the new firm, SSB. For example, the average allocations to the WorldCom officers and directors at issue here were 15 times larger at the pre-acquisition Salomon Brothers than at the post-acquisition SSB. The allocations reported in our materials can only be understood properly if viewed through a pre-acquisition or post-acquisition lens.

- Second, the allocations described in the materials we are submitting to the Committee fell well within the broad range of discretion that regulators have traditionally given firms to decide how to allocate IPO shares. The SEC has repeatedly recognized without criticism that securities firms typically allocate IPO shares to their best customers.

- Third, the WorldCom officers and directors in question were very substantial retail clients of SSB with large retail accounts. SSB consistently sought to provide and in many cases did provide significant services to these individual clients. They were, in their own right, among SSB's best customers.

- But, fourth, we recognize that some allocations to corporate officers and directors, particularly pre-acquisition allocations, while lawful, were sufficiently large as to raise questions about the appearance of conflicts. Consistent with our commitment to maintaining public trust, we are considering new measures to further improve the IPO allocation process at SSB and in the industry generally.

IPO allocation practice changed substantially after the formation of SSB. Like most institutional firms, the old Salomon Brothers granted very large allocations to individuals, while SSB's allocations, like those of most retail firms, were much smaller. The average allocation to the WorldCom officers and directors in question was about 101,500 shares from Salomon, but less than one-fifteenth of that -- about 6400 shares -- from SSB. Similarly, while Salomon made four allocations of 200,000 or more shares to these officers and directors, the largest allocation SSB made was 35,000 shares, with the next largest 20,000 and the next 12,500.

This change reflected both the structure and the philosophy at the merged firm. Structurally, Salomon had relatively few retail brokers or individual clients, while SSB has a huge retail client base, producing a much broader demand for IPO shares from retail clients. Philosophically, SSB believed that IPO allocations should be quite widely distributed for the benefit of the issuer and SSB's retail client base.

Existing rules and industry practice give firms a broad range of discretion in granting IPO allocations, and we believe we acted well within that broad range. The SEC has said: "[T]here are no specific rules governing the [allocation] process. Broker-dealers are free to establish their own procedures and priorities for allocating shares to investors . . . An underwriter participating in a public offering is free to distribute its allotment of new securities as it sees fit among its customers." See SEC Release, Allocation of New Issues of Securities, 1994 WL 744595 (Oct. 18, 1994).

SSB, like most firms, has traditionally allocated IPO shares to provide the most effective distribution of the issuers' shares while giving preference -- where consistent with effective distribution -- to the firm's best customers. Various factors enter into allocation decisions, including the customer's investment objectives, the customer's level of interest in the IPO, past IPO participation, the size of the customer's portfolio and net worth, and the level of personal business that the customer generates or may potentially generate in the future.

The IPO allocations to WorldCom officers and directors at issue here were reasonable since these were high net worth individuals and substantial retail clients. Indeed their retail accounts would put them in approximately the top one percent of SSB's 3.5 million households with individual clients. Their actual and potential value to the firm in their individual capacities was quite substantial. Providing such high net worth individuals access to the IPO calendar has traditionally been an important means of competing for their personal business on Wall Street. Indeed, the SEC, which reviewed allocation practices as recently as three years ago, acknowledged that: "The underwriters and the company that issues shares have wide latitude in allocating IPO shares... most underwriters target institutional or wealthy investors in IPO distributions." [3]

---

[3] *Initial Public Offerings: Why Individuals Have Difficulty Getting Shares*, www.SEC.gov./answers/ ipodiff, (modified 11/24/99)

Neither research analysts nor investment bankers are responsible for the allocation of IPO shares to retail branches or from branches to particular individuals. As reflected in the documents we are providing to you today, we have located very few documents that even connect Jack Grubman to IPO allocations to these investors. The dearth of such documents is not surprising since we have no knowledge from any source that Mr. Grubman had any responsibility for IPO allocations to these, or any other, retail investors.

SSB's internal policies on IPO allocations more than measure up to prevailing rules and industry standards. Even in the absence of specific regulatory guidance, SSB has had policies in place comparable to the new proposals announced by the NASD on July 26, 2002. These policies prohibit spinning (allocation of IPO shares to corporate executives in exchange for investment banking or other corporate business), "laddering" (tying IPO allocations to a customer's agreement to buy additional shares in the after-market), and the imposition of penalties by a syndicate member against one of its own retail brokers whose customers have "flipped" (i.e., quickly sold) IPO shares, unless the lead underwriter on the deal has imposed a similar penalty on that syndicate member.

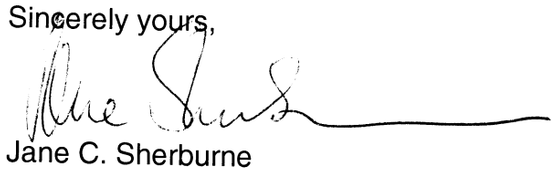
SSB is determined to be a constructive force for change in order to help maintain public confidence in the markets and, to this end, is now considering further steps to improve the IPO allocation process. Standards on IPO allocations, as on many other issues affecting Wall Street firms, are evolving, and SSB intends to be in the forefront of constructive change. We strongly support the initiative of the NASD and, most recently, the call by SEC Chairman Harvey Pitt to re-assess industry practices regarding IPO allocations so that the industry is above reproach.

Existing rules and even the proposed new rules, as well as industry practice, give firms wide discretion in granting allocations. Although we believe we acted within the range of that discretion, we recognize that the simple fact of an allocation to a CEO or other decision maker of a company that is also an investment banking client can raise the appearance of a conflict. This puts firms like ours in the position of having to prove a negative – that inappropriate considerations did not enter into the exercise of discretion. To avoid even the appearance of such

conflict -- which we see as an important step in maintaining public confidence in our financial institutions -- may require new rules that constrain discretion or tighten the implementation policies under which such discretion is exercised.

At Citigroup and Salomon Smith Barney, we are committed to being a leader in instituting changes in industry regulation and practice that will benefit both investors and the efficiency of our capital markets. We look forward to working with Congress and regulatory authorities to strengthen industry practices and regulations.

Sincerely yours,



Jane C. Sherburne

Enclosures

cc: Andrew Cochran, Majority Counsel (by telecopy and first-class mail)
Lawranne Stewart, Minority Counsel (by telecopy and first-class mail)

THE IPO PROCESS

In a "firm commitment" offering -- the predominant form of equity offering in the United States -- an issuer seeking to raise capital and become a public company enters into an underwriting agreement to sell all of the offered securities to an underwriting syndicate. The syndicate immediately sells the offered shares to the public at the offering price (or at a discount to dealers who then resell to the public at the offering price).

Typically, a lead underwriter, which manages the offering for the syndicate, often referred to as the "book-running manager," assumes responsibility for selling the bulk of the offering to institutional investors (known as the "institutional pot") on behalf of any co-lead managers and the other members of the syndicate. Those other syndicate members -- in addition to sharing the risk and collecting a portion of the underwriting fees -- get a small portion of the offering set aside for direct sales to their respective customers. The size of any such "retention" by an underwriter, as well as the size of the shares reserved for sales through the institutional pot, is determined by the lead manager. In the typical IPO, the percentage of the offered shares allocated to institutional investors generally ranges from 70% to 85% of the total shares.

In general, the underwriting syndicate may not withhold shares in an initial public offering ("IPO") for its own benefit, but instead must distribute all of the offered shares to members of the public. In particular, the NASD prohibits an underwriter from retaining any shares of a "hot issue" for the firm's account. A "hot issue" is defined by the NASD as securities of a public offering which trade at a premium in the secondary market whenever such secondary market begins trading.

The Law Permits Allocation of IPO Shares to an Underwriter's Best Customers

The securities laws have long permitted underwriters wide discretion with respect to allocations of IPO shares. *See* SEC Release, Allocation of New Issues of Securities, 1994 WL 744595 (Oct. 18, 1994) ("[T]here are no specific rules governing the [allocation] process. Broker-dealers are free to establish their own procedures and priorities for allocating shares to investors . . . An underwriter participating in a public offering is free to distribute its allotment of new securities as it sees fit among its customers.") (the "Allocation Release"); *Initial Public Offerings: Why Individuals Have Difficulty Getting Shares*, www.SEC.gov./answers/ ipodiff, (modified 11/24/99) ("The underwriters and the company that issues shares control the IPO process. They have wide latitude in allocating IPO shares . . . most underwriters target institutional or wealthy investors in IPO distributions."). Most firms have traditionally allocated IPO shares to provide the most effective distribution of the issuers shares, including allocation of shares to a core group of long term investors, while also giving preference, where consistent with effective distribution, to the firm's best customers.

Marketing an IPO

By way of background, the marketing process for an IPO begins after the filing by the issuer of a preliminary prospectus with the SEC, during the so-called "waiting period," while the offering document is under the SEC's review. Typically, institutional investors are invited to road shows organized by the underwriting syndicate, where they learn about the pending deal and provide indications of interest in making possible investments in the company. During this same period, the retail sales force of each underwriter that received a retention for direct sales also initiates their marketing efforts by contacting their customers and soliciting indications of interest. Note that investors are not obligated to a final investment decision until after they receive information about the offering price -- that is, not until after the registration statement is declared effective by the SEC and the offering is priced.[1]

Pricing an IPO

The pricing of an IPO is an art, not an exact science. The lead manager seeks to price the offering, based on its best judgment about the level of investor demand for the issuer's shares (as demonstrated in the course of the pre-offering marketing efforts during the waiting period) and other market conditions (*e.g.*, the share value of other comparable public companies). Once the offering is priced, the underwriters may make actual sales of the IPO shares -- principally by confirming with investors who previously gave indications of interest. In a successful offering, the distribution of the shares is concluded by the morning following the pricing of the offering. The lead manager then breaks the syndicate, declaring the shares "free to trade." At this point, the shares may now begin trading publicly among investors in the so-called "aftermarket."[2] It is only at that time that the degree to which a particular issue is hot or not becomes clear, based on the differential between the offering price and the price at which aftermarket trading takes place.

To the extent that the IPO turns out to be a hot issue, the customer who purchased the newly issued shares may see an immediate gain in the value of his investment (which may or may not be realized by the customer) with little or no apparent risk to the

---

[1] Section 5(a) of the Securites Act of 1933 ("Securities Act") prohibits any sale of a security unless the registration statement is in effect. During the waiting period, however, underwriters may solicit indications of interest and, in some cases, conditional offers to buy, from investors. See Rule 134 under the Securities Act.

[2] When IPO shares actually begin trading on the market or exchange on which they are listed, the market for such newly-issued shares is referred to as the "secondary market" or the "aftermarket," which refers to the market "after" distribution.

customer in short term.[3] By contrast, with a "cold issue," the customer may experience an immediate loss, when secondary market trading begins. To the extent that investors speculate that a particular IPO will become a hot issue, their demand to receive allocations may exceed the available supply of shares. Indeed, the SEC's website (www.SEC.gov./ answers/ipodiff) provides the following advice to the investing public:

> When an IPO is "hot," appealing to many investors, the demand for the securities far exceeds the supply of shares. The excess demand can only be satisfied once trading in the IPO shares begins. It is unclear how "hot" the offering will be until close to the time when the shares start trading. Since "hot" IPOs are in high demand, underwriters usually offer those shares to their most valued clients.

The SEC's description of a hot IPO captures the nature of such offerings. It is by no means surprising, therefore, that an underwriter with the ability to allocate shares in a hot offering will seek to allocate those shares to its "most valued" customers.[4]

Allocating IPO Shares

Where an underwriter acts as a lead manager, it will have substantial, if not exclusive, responsibility among the underwriters for the allocation of IPO shares to institutional investors. It will also have the largest number of retail shares to allocate to its customers. The allocation for retail is known as the "retail retention."

---

[3] Such short-term gains are, of course, no guarantee of long term investment returns. Investing in new companies with limited operating histories is necessarily a risky form of investment, a fact that is amply disclosed in the offering prospectus. Indeed, the SEC has cautioned investors that "[a]s an investor, you have to decide for yourself the real value of the so-called 'hot issue.' . . . A flurry of speculation in the market does not always mean easy profits for investors. Many issues that trade at premiums over the offering price quickly drop back to the offering price, and some of the most highly touted drop below the offering price." *See* Allocation Release.

[4] Even when considered against historical precedents, the IPO market in recent years was one of almost unparalleled activity. In 1999 alone, 484 domestic issuers raised $93 billion through IPOs, an increase of 72 percent from 281 issuers and 102 percent from $44 billion in 1998. *Nasdaq Concludes Record Breaking Year as Demonstrated in Preliminary Year-End Results,* NASDAQ-AMEX MARKET GROUP, Dec. 31, 1999 Press Release; Robert J. Samuelson, *And the Boom Goes On,* WASH. POST, Dec. 28, 1999, at A23. The Wall Street Journal highlighted this torrid IPO market in a year-end article: "The average new company gained 66.4% on its first day. To put that in perspective, new issues last year [1998] rose just 19% on average on their first day." The Wall Street Journal, *IPO Outlook: IPO Market Raises a Record 69.2 Billion in '99*, (December 27, 1999).

Based on discussions with the issuer and other syndicate members, the lead manager determines the percentage of the offered shares that will be allocated to institutional and retail customers. Allocation decisions for institutional investors are generally based on a variety of criteria that may relate to, among other considerations, their level of interest in the security and the industry of the issuer.

Allocations to individual investors with retail accounts are generally made by an underwriter based on the aggregated indications of interest in the offering submitted to its syndicate desk. Branch managers and/or the retail sales force then determine the accounts that should receive IPO allocations based on the quality of the indications of interest and the number of available shares. Once final allocations are determined for interested accounts, financial consultants typically contact the accountholders to confirm that they still wish to purchase the IPO shares. It is only after the customer has confirmed his allocation that the purchase of the allocated shares is processed.

Directed Share Programs

An individual may also receive IPO shares as part of a Directed Share Program ("DSP") (also known as "Friends and Family" programs). In a DSP, the issuer will designate a portion of the offering for sale at the public offering price to employees, directors and/or friends and persons related to the issuer that the issuer specifically designates are eligible to participate in the DSP, including persons that are affiliated with suppliers, customers and competitors of the issuer. Typically, an issuer will set aside 5% of the total offered shares to be divided among the DSP participants Allocations to investors through a DSP are made pursuant to issuer's instructions and the underwriters do not have any discretion over the allocation of the DSP shares. The total number of shares to be allocated through a DSP is disclosed in the offering prospectus.

Confirmation and Booking of Trades

IPO shares are typically priced some time after 4:30 p.m. Eastern time on the trade date (also known as the pricing or offer date) after the SEC has declared the offering effective. The distribution of the shares to the public begins shortly thereafter when investors who have previously entered indications of interest are contacted to confirm their allocations. The distribution is concluded the following business day when the offering is terminated. Upon termination of the offering (usually between 9:30 and 11:00 am the morning after the pricing date), the shares begin trading in the secondary market.

At SSB, the allocation process for retail investors involves three steps -- (1) confirmation with the investor of the amount and price of the shares allocated; (2) processing of such information into SSB's computer system by a wire operator; and (3) booking of the allocation to the customer account. At SSB, the date on which the last step takes place

is referred to as the "entry date." With many IPO allocations, the entry date (as well as the date the allocation is confirmed or processed) is the same as the trade date.

For a variety of reasons, however, the entry date is often later than the trade date, resulting in a trade booked to the customer's account "as of" the trade date. For example, if a deal is priced late in New York (e.g., 6:00 p.m.), West Coast orders could be ticketed on that same day, but East Coast orders would be ticketed the following morning and booked to the customer's account "as of" the trade date. The trade date and entry date may also differ because of account corrections (also known as "cancels and rebills"), where, for example, the wire operator incorrectly inputs the ticket, which must then be corrected. In addition, shares allocated through the DSP are frequently booked to a customer's account "as of" the trade date because often the issuer does not provide its final allocations list until after the deal is priced.

"As of" trades also occur when an underwriter has to re-allocate shares after a customer reneges on an order.[5] Reneges are most common with the DSP, where employees of the company may not be willing or able to pay for the shares allocated to them. As noted above, in the case of a "hot" IPO, an underwriter is not allowed under law to keep any part of the new issue for its benefit. This means that if a customer reneges on an allocation of shares before the trade settlement date, the underwriter must reallocate the originally offered shares to another customer at the offer price even though the shares may already be trading at a premium to the offer price in the secondary market.

---

[5] "As of" trades are common and regularly reported to the NASD under various NASD transaction reporting rules. See, e.g., NASD Rules 6420 (listed securities) and 4632 (NMS securities). Such trades may arise from any number of circumstances in connection with IPO allocations. For example, the NASD's "Free-Riding and Withholding" interpretation provides that it "shall not be considered a violation of this interpretation if a member which makes an allocation to a restricted person or account of an offering that trades at a premium in the secondary market, cancels the trade for such restricted person or account, prior to the first business day following the date on which secondary market trading commences and reallocates such security at the public offering price to a non-restricted person or account." IM-2110-1 "Free-Riding and Withholding."

SALOMON SMITH BARNEY (POST MERGER) IPO ALLOCATIONS*

RESPONSE TO THE SUBPOENA OF THE HOUSE FINANCIAL SERVICES COMMITTEE TO CITIGROUP, DATED AUGUST 14, 2002**

Account Title	Issuer	Book Runner (a)(b)	Co-Managers (a) (c)	Trade Date (d)	Total Institutional and Retail Shares	SSB Retail Retention (e)	Shares Allocated to Person	% of SSB Retail (e)	Acquisition Price	IPO Price (f)
EBBERS, BERNARD J	SIGNALSOFT CORP	SSB	DLJ, LEHM, SSB	8/2/00	5,060,000	1,045,000	5,000	0.48%	$17.00	$17.00
EBBERS, BERNARD J	TYCOM LTD	GS, SSB	BEAR, CSFB, DLJ, LEHM, JPM, MS, BofA, CHASE HQ, DB, UBS, SSB, ML	7/26/00	61,130,435	4,000,000	7,500	0.19%	$32.00	$32.00
EBBERS, BERNARD J	KPNQWEST NV CL C	MS	SSB, GS, ABN/AMRO, WDR, MS	11/9/99	444,000,000	1,000,000	20,000	2.00%	$20.81	$20.81
EBBERS, BERNARD J	UNITED PARCEL SERVICE CL B	MS	GS, ML, CSFB, SSB, WDR, MS	11/9/99	5,470,000	3,040,000	2,000	0.07%	$50.00	$50.00
EBBERS, BERNARD J	CHARTERED SEMICONDUCTOR	SSB	ChaseHQ, SGCowen, Soundview, SSB, CSFB	10/29/99	25,260,900	1,885,900	5,000	0.27%	$20.00	$20.00
EBBERS, BERNARD J	RADIO UNICA COMMUNICATIONS CRP	SSB	BEAR, CIBC, DLJ, SSB	10/18/99	7,866,000	1,057,000	4,000	0.38%	$16.00	$16.00
EBBERS, BERNARD J	WILLIAMS COMMUNICATIONS GROUP	SSB, LEHM	BofA, CIBC, CSFB, DLJ, SSB, LEHM, ML	10/1/99	34,053,500	5,333,000	35,000	0.66%	$23.00	$23.00
EBBERS, BERNARD J	FOCAL COMMUNICATIONS CORP	SSB	DLJ, MS, CSFB, DLJD, SSB	7/27/99	11,455,500	1,653,000	5,000	0.30%	$13.00	$13.00
EBBERS, BERNARD J	JUNIPER NETWORKS INC (g)	GS	CSFB, Robertson Stephens, Dain Rauscher	6/24/99	4,800,000	422,400	5,000	1.18%	$34.00	$34.00
EBBERS, BERNARD J	JUNO ONLINE SERVICES INC	SSB	BEAR, PW, SSB	5/25/99	7,492,750	907,250	10,000	1.10%	$13.00	$13.00
EBBERS, BERNARD J	RHYTHMS NETCONNECTIONS INC	ML, SSB	HQ, WEISEL, ML	4/6/99	3,961,862	1,489,000	10,000	0.67%	$21.00	$21.00
EBBERS, BERNARD J	EARTHSHELL CORP COM	SSB	BNP, Commerz, DB, Fleming, ING, Nikko Europe (int'l tranche), SSB, CSFB	3/23/98	15,254,264	3,286,064	12,500	0.38%	$21.00	$21.00
							Average=10,083	**Average=0.64%**		
KELLETT STILES A JR	AT&T CORP AT&T WIRELESS GROUP	ML, GS, SSB	CSFB, LEHM, MS, BofA, BEAL, BEAR, CHASEHQ, ALEX, DLJ, JPM, PW, PRU, SBERN, WEISEL, GS, ML, SSB	4/26/00	360,000,000	N/A	5,000	N/A	$29.50	$29.50
KELLETT STILES A JR	TELECORP PCS INC CL A	SSB	LEHM, DB, ML, SSB	11/22/99	10,580,000	1,100,000	1,100	0.10%	$20.00	$20.00
KELLETT STILES A JR	NETZEE INC.	ROHO	Suntrust Securities, ROHO, JC Bradford	11/9/99	4,448,155	N/A	8,000	N/A	$14.00	$14.00
KELLETT STILES A JR	UNITED PARCEL SERVICE CL B	MS	GS, ML, CSFB, SSB, WDR, MS	11/9/99	5,470,000	3,040,000	50	0.00%	$50.00	$50.00
KELLETT STILES A JR	WILLIAMS COMMUNICATIONS GROUP	SSB, LEHM	BofA, CIBC, CSFB, DLJ, SSB, LEHM, ML	10/1/99	34,053,500	5,333,000	700	0.01%	$23.00	$23.00
KELLETT STILES A JR	TELEMATE.NET SOFTWARE INC	Soundview	JCBradford, ROHO	9/29/99	3,500,000	N/A	1,500	N/A	$14.00	$14.00
KELLETT STILES A JR	AIRGATE PCS INC	DLJ	CSFB, ROHO	9/27/99	6,700,000	N/A	700	N/A	$17.00	$17.00
KELLETT STILES A JR	LABRANCHE & CO INC	SSB	ABN/AMRO, SSB, DLJ	8/19/99	11,898,250	2,418,650	100	0.00%	$14.00	$14.00
KELLETT STILES A JR	RHYTHMS NETCONNECTIONS INC	ML, SSB	HQ, WEISEL, ML	4/6/99	3,961,862	1,489,000	4,000	0.27%	$21.00	$21.00
							Average=2,350	**Average=0.08%**		
ROBERTS BERT C	AT&T CORP AT&T WIRELESS GROUP	ML, GS, SSB	CSFB, LEHM, MS, BofA, BEAL, BEAR, ChaseHQ, ALEX, DLJ, JPM, PW, PRU, SBERN, WEISEL, GS, ML, SSB	4/26/00	360,000,000	N/A	3,000	N/A	$29.50	$29.50
							Average=3,000	**Average=N/A**		
SULLIVAN SCOTT & CARLA	TRAVELERS PROPERTY CASUALTY	SSB	CSFB, GS, LEHM, ML, MS, BofA, BEAR, BLAY, DB, FOX-PITT, JPM, Neuberger Berman, UBS, WILLIAMS, BB&T (additional firms did int'l tranche), SSB	3/21/02	271,735,681	51,263,031	3,900	0.01%	$18.50	$18.50
SULLIVAN SCOTT & CARLA	KRAFT FOODS INC CLASS A	CSFB, SSB	DB, JPM, MS, UBS, BNP, HSBC, LEHM, BLAY, DKWSEC, PRU, RAM, SBERN, UTENDA, CSFB, SSB	6/12/01	293,740,650	20,288,980	2,000	0.01%	$31.00	$31.00
SULLIVAN SCOTT & CARLA	WILLIAMS COMMUNICATIONS GROUP	SSB, LEHM	MONTG, OPCO, CSFB, DLJ, SSB, LEHM, ML	10/1/99	34,053,500	5,333,000	10,000	0.19%	$23.00	$23.00
SULLIVAN SCOTT & CARLA	IXNET INC	DLJ, SSB	ML, FUSEC, CSFBD, DLJ, SSB	8/12/99	7,475,000	650,000	5,000	0.77%	$15.00	$15.00
SULLIVAN SCOTT & CARLA	RHYTHMS NETCONNECTIONS INC	ML, SSB	ML, SSB	4/6/99	3,961,862	1,489,000	7,000	0.47%	$21.00	$21.00
							Average=5,580	**Average=0.29%**		

HRI000001

SALOMON SMITH BARNEY (POST MERGER) IPO ALLOCATIONS*

RESPONSE TO THE SUBPOENA OF THE HOUSE FINANCIAL SERVICES COMMITTEE TO CITIGROUP, DATED AUGUST 14, 2002**

Account Title	Issuer	Book Runner (a)(b)	Co-Managers (a) (c)	Trade Date (d)	Total Institutional and Retail Shares	SSB Retail Retention (e)	Shares Allocated to Person	% of SSB Retail (e)	Acquisition Price	IPO Price (f)

* Travelers, which owned Smith Barney, acquired Salomon Brothers Inc. on 11/28/97.

** This spreadsheet constitutes our response to Nos. 1, 2, 4, and 5 of the Committee's subpoena. The allocation information provided is for the period in which the person served as a director or officer of WorldCom, Inc. Unless SSB was the book runner for a deal (or was the designated book runner in a joint books deal), it will not necessarily have the final allocation numbers. Similarly, final allocations are not available for all pre-merger Salomon Brothers deals. SSB has provided information where available for book runner and co-

(a) Key to abbreviations: Alex Brown (ALEX), Bank of America (BofA), Bear Stearns (BEAR), Blaylock Partners (BLAY), BNP Paribas (BNP), CIBCOppenheimer (CIBC), Credit Suisse First Boston (CSFB), Credit Suisse First Boston Direct (formerly DLJDirect) (CSFBD or DLJD), Deutsche Bank (DB), Donaldson, Lufkin & Jenrette Securities Corporation (DLJ), Dresner Kleimwort (DKWSEC), First Union Securities (FUSEC), Goldman Sachs & Co. (GS), Hambrecht & Quist (HQ), Hong Kong Shanghai Banking Corp. (HSBC), ING Barings (ING), JP Morgan Chase (JPM), Lehman Bros. (LEHM), Merrill Lynch & Co. (ML), Montgomery Securities (MONTG), Morgan Stanley (MS), Oppenheimer & Co. (OPCO), Paine Webber (PW), Prudential Securities (PRU), Ramirez (RAM), Robinson-Humphrey (ROHO), Salomon Smith Barney (SSB), Sanford Bernstein (SBERN), Thomas Weisel (WEISEL), UBS Warburg Dillon Read (WDR or UBS), Utendahl (UTENDA).

(b) The book runner is the underwriter that is principally responsible for running the offering, including, among other responsibilities, the pricing of the offering and the allocation of shares to institutional investors (the "institutional pot"), and allocating the retail aggregate to other syndicate members. The book runner also receives the largest allocation of shares for distribution to its retail customers (the "retail retention").

(c) The lead manager is the leading investment banking firm of an underwriting group organized for the purchase and distribution of a new issue of securities. The manager also acts as the agent for the rest of the syndicate members in purchasing and distributing the issue, including allocating the aggregate retail shares to each member of the underwriting syndicate and selling them to selling group members. The co-manager helps manage this process.

(d) The trade date is the date on which the IPO shares are priced. For a description of circumstances where trade dates may differ from entry dates (the date on which individual allocations are booked into customers' accounts) and related information, please see the attachment to our transmittal letter entitled "The IPO Process."

(e) Retail retention figures include directed share program ("DSP") shares.

(f) The information in this column was added to the production pursuant to an oral request made by the Committee on Financial Services staff.

(g) 4,000 of the 5,000 Juniper Networks Inc. shares were allocated through the DSP (also know as the "friends and family" program").

HRI000002

SMITH BARNEY (PRE MERGER WITH SALOMON BROTHERS) IPO ALLOCATIONS*

RESPONSE TO THE SUBPOENA OF THE HOUSE FINANCIAL SERVICES COMMITTEE TO CITIGROUP, DATED AUGUST 14, 2002**

Account Title	Issuer	Book Runner (a)(b)	Co-Managers (a) (c)	Trade Date (d)	Total Institutional and Retail Shares	Smith Barney Allocation (e)	Shares Allocated to Person	% of Smith Barney Retail (e)	Acquisition Price	IPO Price (f)
KELLETT STILES A JR	EDUTREK INTL INC CL A	Smith Barney	ROHO	9/23/97	2,259,936	1,190,664	700	0.06%	$14.00	$14.00
KELLETT STILES A JR	A CONSULTING TEAM INC	ROHO	Wachovia	8/8/97	1,800,000	103,000	800	0.78%	$12.00	$12.00
KELLETT STILES A JR	PAMECO CORP CLASS A	DLJ	ROHO, Schroder	6/4/97	3,578,644	N/A	500	N/A	$14.00	$14.00
KELLETT STILES A JR	HEALTHCARE RECOVERIES INC	BEAR	DLJ, ROHO	5/21/97	9,800,000	N/A	1,000	N/A	$14.00	$14.00
KELLETT STILES A JR	METRO INFORMATION SERVICES INC	Robert Baird	JCBradford, ROHO	1/29/97	3,100,000	N/A	500	N/A	$16.00	$16.00
KELLETT STILES A JR	FIREARMS TRAINING SYSTEMS INC	BofA	Lazard Freres, ROHO	11/26/96	6,000,000	N/A	1,500	N/A	$14.00	$14.00
KELLETT STILES A JR	SYNTHETIC INDUSTRIES INC	BEAR	ING Barings	11/1/96	2,500,000	N/A	300	N/A	$13.00	$13.00
KELLETT STILES A JR	INGRAM MICRO INC	MS	ROHO, DB, ChaseHQ, JCBradford	10/31/96	20,000,000	24,000	300	1.25%	$18.00	$18.00
KELLETT STILES A JR	NATIONAL OILWELL INC	ML	GS, Simmons	10/28/96	4,000,000	15,000	300	2.00%	$17.00	$17.00
KELLETT STILES A JR	HIBBETT SPORTING GOODS INC	Smith Barney	Nationsbanc, MONTG, ROHO	10/10/96	2,162,200	303,200	100	0.03%	$16.00	$16.00
KELLETT STILES A JR	RMH TELESERVICES INC	Smith Barney	HQ	9/18/96	3,198,100	500,000	100	0.02%	$12.50	$12.50
KELLETT STILES A JR	TELESPECTRUM WORLDWIDE INC	JPM	UBS, LEGG, ROHO	8/8/96	10,620,000	N/A	400	N/A	$15.00	$15.00
KELLETT STILES A JR	SOURCE SERVICES CORP	ROHO	Dain Rauscher	7/30/96	2,500,000	N/A	300	N/A	$14.00	$14.00
KELLETT STILES A JR	AMERICAN GENERAL HOSPITALITY	Smith Barney	PRU, LEGG, ROHO	7/25/96	8,613,800	1,867,800	1,500	0.08%	$17.75	$17.75
KELLETT STILES A JR	STRAYER EDUCATION INC	LEGG	N/A	7/25/96	3,000,000	7,000	200	2.86%	$10.00	$10.00
KELLETT STILES A JR	REMEDYTEMP INC CLASS A	UBS	ROHO	7/11/96	3,100,000	11,200	400	3.57%	$13.00	$13.00
KELLETT STILES A JR	AIRNET SYSTEMS INC	UBS	ROHO	5/31/96	5,600,000	11,000	1,000	9.09%	$14.00	$14.00
KELLETT STILES A JR	TRICO MARINE SERVICES INC	Schroder	Raymond James, Simmons & Co.	5/15/96	3,900,000	22,000	100	0.45%	$16.00	$16.00
KELLETT STILES A JR	NOVA CORPORATION	DB	Smith Barney, BofA, ROHO	5/8/96	3,500,000	125,000	200	0.16%	$19.00	$19.00
KELLETT STILES A JR	TRAVELERS/AETNA PROPERTY	Smith Barney	CSFB, DW, GS, LEHM, JPM, MS, SAL	4/22/96	38,032,500	9,850,000	200	0.00%	$25.00	$25.00
							Average=520	**Average=1.57%**		
SULLIVAN, SCOTT & CARLA	TELEGROUP INC	Smith Barney	ALEX, Cowen	7/8/97	5,000,900	916,300	200	0.02%	$10.00	$10.00
SULLIVAN, SCOTT & CARLA	INTERSTATE HOTELS CO	ML	BofA, MS, Smith Barney, Credit Lyonnais	6/19/96	11,000,000	870,000	200	0.02%	$21.00	$21.00
SULLIVAN, SCOTT & CARLA	NOVA CORPORATION	DB	Smith Barney, BofA, ROHO	5/8/96	3,500,000	125,000	2,000	1.60%	$19.00	$19.00
SULLIVAN, SCOTT & CARLA	TRAVELERS/AETNA PROPERTY	Smith Barney	CSFB, DW, GS, LEHM, JPM, MS, SAL	4/22/96	38,032,500	9,850,000	2,000	0.02%	$25.00	$25.00
							Average=1,100	**Average=0.42%**		

* Travelers, which owned Smith Barney, acquired Salomon Brothers Inc. on 11/28/97.

** This spreadsheet constitutes our response to Nos. 1, 2, 4, and 5 of the Committee's subpoena. The allocation information provided is for the period in which the person served as a director or officer of WorldCom, Inc. Unless SSB was the book runner for a deal (or was the designated book runner in a joint books deal), it will not necessarily have the final allocation numbers. Similarly, final allocations are not available for all pre-merger Salomon Brothers deals. SSB has provided information

(a) Key to abbreviations: Alex Brown (ALEX), Bank of America (BofA), Bear Stearns (BEAR), Credit Suisse First Boston (CSFB), Dean Witter (DW), Deutsche Bank (DB), Donaldson, Lufkin & Jenrette Securities Corporation (DLJ), Goldman Sachs & Co. (GS), Hambrecht & Quist (HQ), JP Morgan Chase (JPM), Legg Mason (LEGG), Lehman Bros. (LEHM), Merrill Lynch & Co. (ML), Montgomery Securities (MONTG), Morgan Stanley (MS), Prudential Securities (PRU), Robinson-Humphrey (ROHO), Salomon Bros. (SAL), UBS Warburg Dillon Read (UBS).

(b) The book runner is the underwriter that is principally responsible for running the offering, including, among other responsibilities, the pricing of the offering and the allocation of shares to institutional investors (the "institutional pot"), and allocating the retail aggregate to other syndicate members. The book runner also receives the largest allocation of shares for distribution to its retail customers (the "retail retention").

(c) The lead manager is the leading investment banking firm of an underwriting group organized for the purchase and distribution of a new issue of securities. The manager also acts as the agent for the rest of the syndicate members in purchasing and distributing the issue, including allocating the aggregate retail shares to each member of the underwriting syndicate and selling them to selling group members. The co-manager helps manage this process.

HRI000003

SMITH BARNEY (PRE MERGER WITH SALOMON BROTHERS) IPO ALLOCATIONS*

RESPONSE TO THE SUBPOENA OF THE HOUSE FINANCIAL SERVICES COMMITTEE TO CITIGROUP, DATED AUGUST 14, 2002**

Account Title	Issuer	Book Runner (a)(b)	Co-Managers (a) (c)	Trade Date (d)	Total Institutional and Retail Shares	Smith Barney Allocation (e)	Shares Allocated to Person	% of Smith Barney Retail (e)	Acquisition Price	IPO Price (f)

(d) The trade date is the date on which the IPO shares are priced. For a description of circumstances where trade dates may differ from entry dates (the date on which individual allocations are booked into customers' accounts) and related information, please see the attachment to our transmittal letter entitled "The IPO Process."

(e) Retail retention figures include directed share program ("DSP") shares and retail shares distributed through Smith Barney and Robinson Humphrey.

(f) The information in this column was added to the production pursuant to an oral request made by the Committee on Financial Services staff.

HRI000004

SALOMON BROTHERS (PRE MERGER WITH SMITH BARNEY) IPO ALLOCATIONS*

RESPONSE TO THE SUBPOENA OF THE HOUSE FINANCIAL SERVICES COMMITTEE TO CITIGROUP, DATED AUGUST 14, 2002**

Account Title	Issuer	Book Runner (a) (b)	Co-Managers (a) (c)	Trade Date (d)	Total Institutional and Retail Shares	SAL Retail Retention (e)	Shares Allocated to Person	% of SAL Retail (e)	Acquisition Price	IPO Price (f)
CROWE, JAMES Q	QWEST COMNICNS INTL COM	SAL	SAL, DLJ, GS, ML	6/23/97	15,525,000	1,650,500	170,000	10.30%	$22.00	$22.00
							Average=170,000	**Average=10.30%**		
EBBERS, BERNARD J	TELIGENT INC COM	SAL/ML	BEAR, GS	11/21/97	5,500,000	412,500	30,000	7.27%	$21.50	$21.50
EBBERS, BERNARD J	METROMEDIA FIBER NET A	SAL	DLJ, DB	10/28/97	9,118,462	1,237,462	100,000	8.08%	$16.00	$16.00
EBBERS, BERNARD J	CHINA MOBILE HONG KONG LTD	GS	China Int'l Capital, MS, BEAR, DLJ, ML	10/16/97	130,000,000	200,000	2,000	1.00%	$30.50	$30.50
EBBERS, BERNARD J	NEXTLINK COMMUNICATIONS INC	SAL	ML, BEAR, Lazard	9/26/97	17,480,000	1,901,500	200,000	10.52%	$17.00	$17.00
EBBERS, BERNARD J	BOX HILL SYS COM	SAL	SALB, Nationsbank Montg.	9/16/97	6,325,000	791,500	5,000	0.63%	$15.00	$15.00
EBBERS, BERNARD J	TV AZTECA SA SPON ADR	BEAR	Allen & Co., SAL, WDR, ML, BEAR	8/15/97	28,833,168	125,000	1,000	0.80%	$18.25	$18.25
EBBERS, BERNARD J	QWEST COMNICNS INTL COM	SAL	SAL, DLJ, GS, ML	6/23/97	15,525,000	1,650,500	205,000	12.42%	$22.00	$22.00
EBBERS, BERNARD J	TAG HEUER INTL SPON ADR	SAL	WDR, DLJ, MS	9/26/96	14,500,400	550,400	5,000	0.91%	$19.55	$19.55
EBBERS, BERNARD J	MCLEOD INC COM	SAL	BEAR, MS	6/10/96	11,961,067	300,000	200,000	66.67%	$20.00	$20.00
							Average=83,111	**Average=12.03%**		
SCOTT, WALTER JR	QWEST COMNICNS INTL COM	SAL	SAL, DLJ, GS, ML	6/23/97	15,525,000	1,650,500	250,000	15.15%	$22.00	$22.00
							Average=250,000	**Average=15.15%**		
WILKENS, ROY A	MCLEOD INC COM	SAL	BEAR, MS	6/10/96	13,800,000	300,000	50,000	16.67%	$20.00	$20.00
							Average=50,000	**Average=16.67%**		

* Travelers, which owned Smith Barney, acquired Salomon Brothers Inc. on 11/28/97.

** This spreadsheet constitutes our response to Nos. 1, 2, 4, and 5 of the Committee's subpoena. The allocation information provided is for the period in which the person served as a director or officer of WorldCom, Inc. Unless SSB was the book runner for a deal (or was the designated book runner in a joint books deal), it will not necessarily have the final allocation numbers. SSB has provided information where available for book runner and co-manager.

(a) Key to abbreviations: Bear Stearns (BEAR), Deutsche Bank (DB), Donaldson, Lufkin & Jenrette Securities Corporation (DLJ), Goldman Sachs & Co. (GS), Merrill Lynch & Co. (ML), Morgan Stanley (MS), Salomon Bros. (SAL), UBS Warburg Dillon Read (WDR).

(b) The book runner is the underwriter that is principally responsible for running the offering, including, among other responsibilities, the pricing of the offering and the allocation of shares to institutional investors (the "institutional pot"), and allocating the retail aggregate to other syndicate members. The book runner also receives the largest allocation of shares for distribution to its retail customers (the "retail retention").

(c) The lead manager is the leading investment banking firm of an underwriting group organized for the purchase and distribution of a new issue of securities. The manager also acts as the agent for the rest of the syndicate members in purchasing and distributing the issue, including allocating the aggregate retail shares to each member of the underwriting syndicate and selling them to selling group members. The co-manager helps manage this process.

(d) The trade date is the date on which the IPO shares are priced. For a description of circumstances where trade dates may differ from entry dates (the date on which individual allocations are booked into customers' accounts) and related information, please see the attachment to our transmittal letter entitled "The IPO Process."

(e) Retail retention figures include directed share program ("DSP") shares.

(f) The information in this column was added to the production pursuant to an oral request made by the Committee on Financial Services staff.

Rick 213-891-3296

To: Jim Cowles
From: David Trautenberg
Rick Olson
Date: March 31, 1999
Revised
Re: Institutional POT Indications of Interest for Rhythms Net Connections, Inc. for Private Wealth Management Clients

Strictly Confidential
Not For Circulation
Committee Members
and Staff Only

G.E. Jones
Dan Okeefe
Nayel Sabbah

24,500

Below please find firm indications of interest for Rhythms Net Connections:

Client Name	Affiliation	Interest	
Bernard Ebbers	MCIWorldcom	300,000	10,000
Donald Sturm	Sturm Group	250,000	
Phil Anschutz	Anschutz Group	~~250,000~~	
Zev Wolfson	One State Equities	250,000	
Richard McWilliam	Upper Deck Sports	100,000	
John McCaw	Orca Bay Capital	100,000	
Walters Scott	Level Three/Kewiet	100,000	2,000
Stephen Garofalo	Metromedia Fiber Network	100,000	2000
Clark McLeod	McLeod USA	100,000	1000
Ron Burkle	Yucaipa	100,000	
Robert Crown	Crown Castle International	50,000	
Joe Nacchio	Qwest Communications	~~50,000~~	
H. F. Lenfest	Lenfest Communications	50,000	
Roy Wilkens	Williams Co.	50,000	1000
James Voelker	Nextlink Communications	~~50,000~~	
Alex Mandel	Teligent	50,000	
Howard Neckowitz	Pacific Gateway	~~50,000~~	
Steve Schloss	Leslie Company	50,000	
Steve Hooper	Nextlink Communications	25,000	1000
Wayne Perry	Nextlink Communications	25,000	1000
Rick Aab	US Lec	25,000	1000
Dean Skalla	Kewiet	25,000	
Frank Yeary	Carlye Group	25,000	
Jonathan Nelson	Providence Equity Capital	33,333	
Paul Salem	Providence Equity Capital	33,333	
Glen Creamer	Providence Equity Capital	33,333	
	Total Number of shares	2,275,000	

Taylor 500
Khaldeland 200
Gelo 500
Lovaas 800
McCalls 500
Stallings 500
~~Gittens~~
Price
Wardy 1000
Hirsch 500
Carso 500
4500

cc: R. Bartlett
E. Enright
W. Frank
J. Grubman
A. Hyde
B. Moore
W. McCoy
L. Tupper

Krugman
Taylor

Knapp
Lewis

Lewis 200

662

Lovaas 800
Bear
Kingy
@ Home Guy 200

deal Guys

HRI 000006

To: Jim Cowles
From: David Trautenberg
Rick Olson
Date: March 31, 1999
Revised
Re: Institutional POT Indications of Interest for Rhythms Net Connections, Inc. for Private Wealth Management Clients

Below please find firm indications of interest for Rhythms Net Connections:

Client Name	Affiliation	Interest
Bernard Ebbers	MCIWorldcom	300,000
Donald Sturm	Sturm Group	250,000
Phil Anschutz	Anschutz Group	250,000
Zev Wolfson	One State Equities	250,000
Richard McWilliam	Upper Deck Sports	100,000
John McCaw	Orca Bay Capital	100,000
Walters Scott	Level Three/Kewiet	100,000
Stephen Garofalo	Metromedia Fiber Network	100,000
Clark McLeod	McLeod USA	100,000
Ron Burkle	Yucaipa	100,000
Robert Crown	Crown Castle International	50,000
Joe Nacchio	Qwest Communications	50,000
H. F. Lenfest	Lenfest Communications	50,000
Roy Wilkens	Williams Co.	50,000
James Voelker	Nextlink Communications	50,000
Alex Mandel	Teligent	50,000
Howard Neckowitz	Pacific Gateway	50,000
Steve Schloss	Leslie Company	50,000
Steve Hooper	Nextlink Communications	25,000
Wayne Perry	Nextlink Communications	25,000
Rick Aab	US Lec	25,000
Dean Skalla	Kewiet	25,000
Frank Yeary	Carlye Group	25,000
Jonathan Nelson	Providence Equity Capital	33,333
Paul Salem	Providence Equity Capital	33,333
Glen Creamer	Providence Equity Capital	33,333
	Total Number of shares	2,275,000

cc: R. Bartlett
E. Enright
W. Frank
J. Grubman
A. Hyde
B. Moore
W. McCoy
L. Tupper

Strictly Confidential
Not For Circulation
Committee Members
and Staff Only

HRI 000007

To: Jim Cowles
From: David Trautenberg
Rick Olson
Date: May 21, 1999, 1999
Revised
Re: Institutional POT Indications of Interest for **JUNO** for Private Wealth Management Clients

Below please find firm indications of interest for JUNO:

Client Name	Affiliation	Interest
Bernard Ebbers	MCIWorldcom	300,000
Donald Sturm	Sturm Group	250,000
Phil Anschutz	Anschutz Group	250,000
Zev Wolfson	One State Equities	250,000
Kerry Packer	Packer Family	250,000
Richard McWilliam	Upper Deck Sports	100,000
John McCaw	Orca Bay Capital	100,000
Walters Scott	Level Three/Kewiet	100,000
Stephen Garofalo	Metromedia Fiber Network	100,000
Clark McLeod	McLeod USA	100,000
Ron Burkle	Yucaipa	100,000
Robert Crown	Crown Castle International	50,000
Joe Nacchio	Qwest Communications	50,000
H. F. Lenfest	Lenfest Communications	50,000
Roy Wilkens	Williams Co.	50,000
James Voelker	Nextlink Communications	50,000
Alex Mandel	Teligent	50,000
Howard Neckowitz	Pacific Gateway	50,000
Steve Schloss	Leslie Company	50,000
Steve Hooper	Nextlink Communications	25,000
Wayne Perry	Nextlink Communications	25,000
Rick Aab	US Lec	25,000
Dean Skalla	Kewiet	25,000
Frank Yeary	Carlye Group	25,000
Jonathan Nelson	Providence Equity Capital	33,333
Paul Salem	Providence Equity Capital	33,333
Glen Creamer	Providence Equity Capital	33,333
	Total Number of shares	**2,525,000**

cc: R. Bartlett
E. Enright
W. Frank
J. Grubman
A. Hyde
B. Moore
W. McCoy
L. Tupper

Strictly Confidential
Not For Circulation
Committee Members
and Staff Only