UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re ENRON CORPORATION SECURITIES LITIGATION	§	Civil Action No. H-01-3624 (Consolidated)
This Document Relates To:	§	
MARK NEWBY, et al., Individually and On Behalf of All Others Similarly Situated,	§	
Plaintiffs,	§	
vs.	§	
ENRON CORP., et al.,	§	
Defendants.	§	
THE REGENTS OF THE UNIVERSITY OF CALIFORNIA, et al., Individually and On Behalf of All Others Similarly Situated,	§	
Plaintiffs,	§	
vs.	§	
KENNETH L. LAY, et al.,	§	
Defendants.	§	

United States Courts
Southern District of Texas
FILED
MAY 06 2003
Michael N. Milby, Clerk

MOTION OF DEFENDANT CITIGROUP INC. FOR SUMMARY JUDGMENT AND MEMORANDUM OF LAW IN SUPPORT

TO THE HONORABLE MELINDA HARMON, UNITED STATES DISTRICT JUDGE:

Defendant Citigroup Inc. ("Citigroup") respectfully submits this motion for summary judgment and memorandum of law in support. As set forth herein, Citigroup is entitled to judgment on the remaining claim asserted against it – a claim asserted under Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 –

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because the undisputed facts show that Citigroup did not engage in the conduct alleged to be in violation of those laws.

Preliminary Statement

In an order dated January 27, 2003, this Court instructed Citigroup and the other Bank Defendants that "if [they] object to being named defendants because a subsidiary or other entity was the real party in interest, they should file appropriate motions." (1/27/03 Order at 2.) The present motion is submitted in response to that instruction.

Citigroup is a global financial services holding company and is not itself an operating company. Citigroup owns a number of operating company subsidiaries that are separate and distinct legal entities and major corporations in their own right.

As the undisputed facts show, Citigroup itself did not engage in the conduct that plaintiffs claim was in violation of Section 10(b) and Rule 10b-5 – their remaining claim against Citigroup. Rather, to the extent that any Citigroup-related entities engaged in such conduct, the parties involved were its operating company subsidiaries. Summary judgment should therefore be entered for Citigroup for the simple reason that it was not the entity that engaged in the alleged conduct.

STATEMENT OF FACTS

Citigroup is a financial holding company, incorporated under the laws of the State of Delaware and headquartered in New York. (Citigroup Aff. ¶ 2.[1]) It owns a number of subsidiaries, including banks and other financial services companies, each of which is a separate and distinct legal entity. (*Id.*)

As the following chart demonstrates, Citigroup did not engage in any of the conduct alleged by plaintiffs as part of their Section 10(b) and Rule 10b-5 claim against Citigroup:

Allegations Against Citigroup	**Undisputed Facts**
Citigroup administered all the financial affairs of LJM2. (Compl. ¶ 27.)	Citigroup did not administer the financial affairs of LJM2. (Citigroup Aff. ¶ 3(a).)
Citigroup and/or its top executives invested in LJM2, sometimes secretly so. (Compl. ¶¶ 29, 30, 71, 72, 460, 461, 645, 647, 648, 674, 687, 691.)	Citigroup, its employees and "top executives" did not invest in LJM2, either secretly or otherwise. (Citigroup Aff. ¶ 3(b).)
Citigroup issued analyst reports regarding Enron. (Compl. ¶¶ 29, 123, 133, 163, 166, 169, 186, 227, 244, 249, 259, 267, 304, 308, 326, 327, 335, 370, 375, 674, 686.)	Citigroup did not issue, or in any way contribute to, the analyst reports attributed to Citigroup cited in the Complaint. (Citigroup Aff. ¶ 3(c).)
Citigroup lent Enron $2.4 billion in a series of "pre-paid" swaps using Citigroup's Cayman Island subsidiary named "Delta." (Compl. ¶¶ 45, 46, 565, 566, 568, 684.)	Citigroup did not enter into any prepaid swaps with Enron using Delta Energy Corp ("Delta"). Moreover, Citigroup does not directly or indirectly own, or have any interest in, Delta. (Citigroup Aff. ¶ 3(d).)

[1] Attached hereto and incorporated by reference is the Affidavit of Kenneth S. Cohen in Support of Citigroup Inc.'s Motion for Summary Judgment, with Exhibits A and B.

Allegations Against Citigroup	Undisputed Facts
Citigroup undertook to lay off economic exposure to Enron by selling Enron-linked securities as notes, including the Delta transactions in that package of linked securities. (Compl. ¶ 47.) Citigroup also took unusual steps to mitigate its credit exposure to Enron by creating securities that functioned like an insurance policy for its credit exposure to Enron, and set up four paper companies in the Channel Islands to sell credit-linked notes. (Compl. ¶ 681.)	Citigroup did not structure or sell any Enron credit-linked notes to "lay off economic exposure to Enron" or otherwise. Citigroup also did not set up any companies, paper or otherwise, in the Channel Islands in connection with the Enron credit-linked notes transactions. (Citigroup Aff. ¶ 3(e).)
Citigroup, as an underwriter of Yosemite, helped Enron find a buyer for the certificates Enron purchased from the Yosemite trust. (Compl. ¶ 473.)	Citigroup neither underwrote the Yosemite offering nor helped Enron find a buyer for Yosemite Trust certificates. (Citigroup Aff. ¶ 3(f).)
Citigroup underwrote (i) Enron capital 8% preferred shares offering in November 1993 (Compl. ¶ 677); (ii) 9% Enron capital preferred shares offering in July 1994 (Compl. ¶ 677); (iii) 8-1/2% Enron notes offering in January 1995 (Compl. ¶ 677); (iv) 7-1/8% Enron notes offering in May 1995 (Compl. ¶ 677); (v) 6-3/4% Enron notes offering in September 1995 (Compl. ¶ 677); (vi) Enron exchangeable notes offering in December 1995 (Compl. ¶ 677); (vii) Enron Capital Trust I 8.3% Trust Originated Preferred Securities offering in November 1996 (Compl. ¶¶ 48, 677); (viii) 6.5% Notes due 8/1/2002 offering in August 1997 (Compl. ¶¶ 48, 677); (ix) Enron Capital Trust II 8-1/8% Trust Originated Preferred Securities offering in January 1997 (Compl. ¶¶ 48, 677); (x) 6.45% Notes due 2001 offering in November 1997 (Compl. ¶¶ 48, 677); (xi) Enron floating-rate notes offering in September 1998 (Compl. ¶¶ 48, 116, 677); (xii) Enron common stock offering in February 1999 (Compl. ¶¶ 48, 135, 677); (xiii) 7% Exchangeable Notes due	Citigroup was not an underwriter of any Enron securities, including but not limited to those alleged in the complaint. (Citigroup Aff. ¶ 3(g).)

Allegations Against Citigroup	Undisputed Facts
7/31/2002 offering in August 1999 (Compl. ¶¶ 48, 165, 677, 685, 1006); (xiv) Zero Coupon Convertible Senior Notes due 2021 offering in February 2001 (private placement) and July 2001 (resales) (Compl. ¶¶ 48, 288, 677, 685); (xv) New Power common stock offering in October 2000 (Compl. ¶¶ 42, 679, 731); (xvi) 8.75% Yosemite Enron-linked securities offering in February 2000 (Compl. ¶ 49, 678); and (xvii) Enron notes offering in May 2000 (Compl. ¶ 677). (*See also* ¶¶ 72, 645, 675.)	
Citigroup worked with Enron to arrange a merger with Dynegy. (Compl. ¶¶ 64, 65, 66, 387, 389, 391, 671, 688, 690.)	Citigroup had no role in the arrangement of Enron's proposed merger with Dynegy. (Citigroup Aff. ¶ 3(h).)
Citigroup participated in arranging the Osprey and Marlin partnerships. (Compl. ¶ 498.)	Citigroup did not participate in arranging the Osprey and Marlin partnerships. (Citigroup Aff. ¶ 3(i).)
Citigroup acted as a lead bank on Enron's main credit facilities, including (i) $500 million loan to JEDI (Compl. ¶¶ 657, 680); (ii) $1 billion loan to finance purchase of Brazilian electricity distribution company (Compl. ¶ 657); (iii) $600+ million loan to Dabhol (Compl. ¶ 680); (iv) $3 billion credit line to back up Enron commercial paper (Compl. ¶¶ 19, 657); (v) $1 billion secured Enron credit line (Compl. ¶¶ 657, 680); (vi) August 1998 $1 billion Enron credit line to back up Enron commercial paper (Compl. ¶ 657); (vii) November 1998 $250 million Enron credit line (Compl. ¶ 657); (viii) July 2001 $582 million loan to Enron; and (ix) August 2001 $3 billion Enron credit facility to bank up commercial paper (Compl. ¶ 680). (*See also* Compl. ¶¶ 72, 645, 675.)	Citigroup did not act as a bank, lead or otherwise, on Enron's credit facilities, including but not limited to those alleged in the complaint. (Citigroup Aff. ¶ 3(j).)

Allegations Against Citigroup	Undisputed Facts
Enron used the proceeds of various securities offerings to pay down its short-term debt – commercial paper and/or bank debt to Citigroup. (Compl. ¶¶ 110, 111, 116, 124, 135, 151, 236, 288, 683.)	Citigroup did not receive from Enron proceeds from any securities offerings to pay down any Enron-related debt owed to Citigroup. (Citigroup Aff. ¶ 3(k).)

At the time of the filing of the complaint, plaintiffs were plainly on notice that, to the extent any Citigroup-related entities engaged in the alleged conduct, the parties involved were various Citigroup subsidiaries, not Citigroup itself. For example, plaintiffs were on notice – based on information printed on the face of each prospectus – that the public offerings attributed to Citigroup in the complaint were in fact underwritten by Citigroup subsidiaries, not Citigroup itself. (Citigroup Aff. ¶ 4.) Similarly, they were on notice – again, based on information printed on the face of each report – that the analyst reports attributed to Citigroup in the complaint were in fact issued by a Citigroup subsidiary and not by Citigroup itself. (Citigroup Aff. ¶ 5.)

Most significantly, plaintiffs appear to have recognized that Citigroup subsidiaries, not Citigroup itself, provided the services in connection with these and other activities alleged in the complaint because plaintiffs themselves identified certain of such subsidiaries in the complaint and in their first request for the production of documents. (Compl. ¶¶ 101, 383; Plaintiffs' First Req. for Prod. of Docs. to Citigroup Inc. ¶ 1 (This Definitions excerpt from Plaintiffs' First Request is attached to this motion as Exhibit C.)

ARGUMENT

CITIGROUP IS ENTITLED TO JUDGMENT ON THE CONSOLIDATED COMPLAINT BECAUSE IT IS NOT A PROPER PARTY TO THIS SUIT

A party is entitled to summary judgment if there is no genuine issue as to any material fact and the moving party is entitled to judgment as a matter of law. Fed. R. Civ. P. 56(c); *Thompson* v. *Goetzmann*, 315 F.3d 457, 468-69 (5th Cir. 2002). The party opposing summary judgment cannot satisfy its burden "with conclusional allegations, unsubstantiated assertions, or only a scintilla of evidence." *Goetzmann*, 315 F.3d at 469.

Citigroup is entitled to summary judgment because the undisputed facts show that it did not engage in any of the conduct alleged by plaintiffs to have been in violation of Section 10(b) and Rule 10b-5 – their remaining claim against Citigroup.[2] In addition, the undisputed facts also establish that there are no grounds for imputing liability to Citigroup for conduct of its subsidiaries.

Citigroup Did Not Engage in Any of the Conduct Alleged in the Complaint

"It is a general principle of corporate law deeply 'ingrained in our economic and legal systems' that a parent corporation . . . is not liable for the acts of its subsidiaries." *United States* v. *Bestfoods*, 524 U.S. 51, 61 (1998) (citation omitted).

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[2] As the Court confirmed in its Memorandum and Order dated December 19, 2002, Lead Plaintiff has conceded that the Section 11 claim asserted against Citigroup (in the Third Claim for Relief) fails as a matter of law. *See* Dec. 19, 2002 Mem. & Order at 267. There are no claims asserted against Citigroup in the Second and Fourth Claims for Relief (under Section 20A of the 1934 Act and the Texas Securities Act). Citigroup previously moved to dismiss the First Claim to Relief to the extent it was based on Section 20(a) of the 1934 Act. The Court noted that Lead Plaintiff had not addressed this issue in its response, but deferred ruling on the issue "until it has thoroughly reviewed all the individual Defendants' motions." (Dec. 19, 2002 Mem. & Order at 267.) That motion is still pending before the Court.

There is nothing in Section 10(b) or Rule 10b-5 that changes this well-settled rule. In the securities law context, courts have consistently held that the plaintiff "must show how [the parent] committed the wrongdoing alleged." *Zishka* v. *American Pad & Paper Co.*, No. 3:98-CV-0660-M, 2000 WL 1310529, at *4 (N. D. Tex. Sept. 13, 2000); *see also McNamara* v. *Bre-X Minerals Ltd.*, 197 F. Supp. 2d 622, 673 (E.D. Tex. 2001) (parent corporation cannot automatically be held liable for subsidiary's fraud); *Abbell Credit Corp.* v. *Bank of Am. Corp.*, No. 01 C 2227, 2002 WL 335320, at *4 (N.D. Ill. Mar. 1, 2002) (same). Whether a parent or subsidiary has "defrauded plaintiffs . . . are [two] different questions." *Chill* v. *General Elec. Corp.*, 101 F.3d 263, 268 (2d Cir. 1996).

Of the separate and distinct Citigroup subsidiaries, the complaint names only the parent company – Citigroup itself – as a defendant in this case. (*See, e.g.*, Compl. ¶¶ 1(d), 17.) Yet, as set forth in the chart in the Statement of Facts above, the facts indisputably show that Citigroup itself did not engage in the course of conduct that is alleged in the Complaint. Citigroup is therefore entitled to summary judgment. *See Gardemal* v. *Westin Hotel Co.*, 186 F.3d 588, 592-95 (5th Cir. 1999) (affirming, on summary judgment, that parent corporation could not be held liable for acts allegedly committed by its subsidiary); *Alberto* v. *Diversified Group, Inc.*, 55 F.3d 201 (5th Cir. 1995) (same); *Stevens* v. *Citigroup, Inc.*, Civ. Action No. 00-3815, 2000 U.S. Dist. LEXIS 18201, at *13-*15 (E.D. Pa. Dec. 15, 2000) (dismissing claim seeking to hold Citigroup liable for acts allegedly committed by one of its subsidiaries); *Abeles* v. *CityTrust*, No. 91 CIV 0134, 1991 U.S. Dist. LEXIS 10848, at *6-*8 (S.D.N.Y. Aug. 7,

1991) (dismissing claims against holding company for alleged acts of its bank subsidiary).[3]

Conclusion

In sum, there is no genuine dispute regarding the fact that Citigroup itself did not participate in any of the conduct that forms the basis for plaintiffs' claims against Citigroup. Summary judgment therefore should be granted to Citigroup dismissing it from the case and dismissing all claims asserted against it.

Dated: May 6, 2003

Respectfully Submitted,

WILSHIRE SCOTT & DYER P.C.

By: _____

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Attorney-in-Charge for Defendant Citigroup Inc.

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[3] Significantly, the complaint does not allege, nor could it, that the corporate form of any Citigroup subsidiary should be disregarded because the subsidiary is inadequately capitalized, has failed to observe corporate formalities, has functioned merely as a façade of the dominant shareholder, or any other hallmark of "piercing the corporate veil." *See, e.g.*, *Gardemal* v. *Westin Hotel Co.*, 186 F.3d 588, 592-95 (5th Cir. 1999); *Alberto* v. *Diversified Group, Inc.*, 55 F.3d 201 (5th Cir. 1995).

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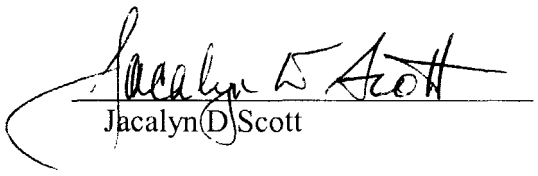
CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing instrument has been served upon all known counsel via the esl3624 website or as otherwise required by the Court's prior orders on this the 6th day of May 2003.



Jacalyn D Scott

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re ENRON CORPORATION SECURITIES LITIGATION	§	Civil Action No. H-01-3624 (Consolidated)
This Document Relates To:	§	
MARK NEWBY, et al., Individually and On Behalf of All Others Similarly Situated,	§	**AFFIDAVIT OF KENNETH S. COHEN IN SUPPORT OF CITIGROUP INC.'S MOTION FOR SUMMARY JUDGMENT**
Plaintiffs,	§	
vs.	§	
ENRON CORP., et al.,	§	
Defendants.	§	
THE REGENTS OF THE UNIVERSITY OF CALIFORNIA, et al., Individually and On Behalf of All Others Similarly Situated,	§	
Plaintiffs,	§	
vs.	§	
KENNETH L. LAY, et al.,	§	
Defendants.	§	

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

Kenneth S. Cohen, being duly sworn, deposes and says:

1. I am an Assistant Secretary of defendant Citigroup Inc. ("Citigroup"). I make this affidavit, on personal knowledge and from a review of the books and records of Citigroup, in support of Citigroup's motion for summary judgment.

2. Citigroup is a Delaware corporation with its principal place of business in New York, New York. It is a financial holding company that owns a number

of subsidiaries, including banks and other financial services companies, each of which is a separate and distinct legal entity.

3. Citigroup itself (as distinct from its subsidiaries) did not participate in any of the following activities, which I understand have been alleged in the Consolidated Complaint:

(a) Citigroup did not administer the financial affairs of LJM2;

(b) Citigroup, its employees and "top executives" did not invest in LJM2, either secretly or otherwise;

(c) Citigroup did not issue, or in any way contribute to, the analyst reports attributed to Citigroup cited in the Complaint;

(d) Citigroup did not enter into any prepaid swaps with Enron using Delta Energy Corp ("Delta"). Moreover, Citigroup does not directly or indirectly own, or have any interest in, Delta;

(e) Citigroup did not structure or sell any Enron credit-linked notes to "lay off economic exposure to Enron" or otherwise. Citigroup also did not set up any companies, paper or otherwise, in the Channel Islands in connection with the Enron credit-linked notes transactions;

(f) Citigroup neither underwrote the Yosemite offering nor helped Enron find a buyer for Yosemite Trust certificates;

(g) Citigroup was not an underwriter of any Enron securities, including but not limited to those alleged in the complaint;

(h) Citigroup had no role in the arrangement of Enron's proposed merger with Dynegy;

(i) Citigroup did not participate in arranging the Osprey and Marlin partnerships;

(j) Citigroup did not act as a bank, lead or otherwise, on Enron's credit facilities, including but not limited to those alleged in the complaint; and

(k) Citigroup did not receive from Enron proceeds from any securities offerings to pay down any Enron-related debt owed to Citigroup.

4. Citigroup itself (as distinct from its subsidiaries) does not engage in the underwriting of securities. When a Citigroup subsidiary has underwritten public offerings of Enron-related securities, the identity of the underwriter is always listed on the cover page of the prospectus, an example of which is attached as Exhibit A hereto.

5. Similarly, Citigroup itself does not engage in the publication of analyst reports. When Citigroup subsidiaries issue analyst reports, the identity of the company issuing the report is always identified in the report, typically on the cover page, as in the example attached as Exhibit B hereto.

Kenneth S. Cohen
Assistant Secretary

Sworn to before me this
5th day of May, 2003

Stacey M Berg
Notary Public

STACEY M. BERG
Notary Public, State of New York
No. 02BE6076143
Qualified in New York County
Commission Expires June 17, 2006

RECYCLED

10,000,000 Exchangeable Notes

Enron Corp.

7% Exchangeable Notes due July 31, 2002

(To be Exchanged for Shares of Common Stock
of Enron Oil & Gas Company)

Enron Corp. is offering 10,000,000 of its 7% Exchangeable Notes due July 31, 2002. The principal amount of each Exchangeable Note is $22.250, which is the public offering price of the common stock of Enron Oil & Gas Company in the concurrent offering referred to below. We will make quarterly interest payments on the Exchangeable Notes equal to 7% per year. The Exchangeable Notes are not subject to redemption, defeasance or a sinking fund prior to maturity.

At the maturity of the Exchangeable Notes, we will exchange EOG common stock owned by our company for your Exchangeable Notes. The number of shares of EOG common stock that you will be entitled to receive in the exchange will be not more than one share and not less than .8475 of a share, depending on the market price of EOG common stock at maturity. Attached to this prospectus as Appendix A is a prospectus of EOG covering the shares of EOG common stock which are to be delivered to the holders of Exchangeable Notes at maturity.

Prior to this offering, there has been no public market for the Exchangeable Notes. The Exchangeable Notes have been approved for listing on the New York Stock Exchange under the symbol "EXG", subject to official notice of issuance. On August 10, 1999, the last reported sale price of EOG common stock on the NYSE was $22.375 per share.

Enron Oil & Gas Company and Enron are offering concurrently 27,000,000 shares and 4,000,000 shares, respectively, of EOG common stock in a separate public offering with a separate prospectus. The underwriters in that offering have the option to purchase up to an additional 4,500,000 shares of EOG common stock from us solely to cover over-allotments. This offering of Exchangeable Notes and the concurrent offering of EOG common stock by EOG and Enron are not conditioned on each other.

Consider carefully the risk factors beginning on page 7 of this prospectus.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Note	Total
Initial price to public	$22.2500	$222,500,000
Underwriting discount	$ 0.6675	$ 6,675,000
Proceeds, before expenses, to Enron	$21.5825	$215,825,000

To the extent that the underwriters sell more than 10,000,000 Exchangeable Notes, the underwriters have the option to purchase up to an additional 1,500,000 Exchangeable Notes from Enron at the initial price to public less the underwriting discount.

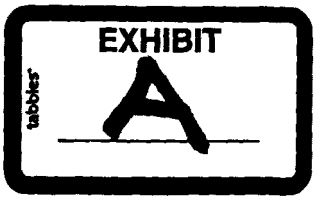
The underwriters expect to deliver the Exchangeable Notes against payment in New York, New York on August 17, 1999.

Goldman, Sachs & Co.

Banc of America Securities LLC

Salomon Smith Barney

Prospectus dated August 10, 1999.



SALOMON SMITH BARNEY

Estimate Change ☒

Enron Corporation (ENE)#

ENE: 2Q:00 EPS UP AS ONLINE TRADING BOOSTS WHOLESALE ENERGY VOLUMES

1H *(Buy, High Risk)*
Mkt Cap: **$52,895.8 mil.**

United States

July 24, 2000

POWER & NATURAL GAS

Raymond Niles
212-816-2807
ray.niles@ssmb.com

SUMMARY

- ENE reported strong 2Q:00 operating EPS of $0.34, up 26% from $0.27 in the year ago quarter, and above our $0.32 estimate.
- Key segment, wholesale energy up 23% on a 39% increase in volumes, which were well-ahead of expectation. Key driver of growth: EnronOnline, volumes up 92%, now accounting for 60% of all trades.
- Bandwidth beginning to show critical mass: 50 trades with 17 counterparties. We expect transactions to pick up steam over the next 6-12 months.
- Other key results: European gas up 194%, power up 6-fold, reflecting the continued rapid opening of that market
- Enron Energy Services (retail energy) profit growth continues, $24M, compared with $16M in 1Q:00
- We maintain our estimates and reiterate our "Buy" rating on ENE.

FUNDAMENTALS

P/E (12/00E)	51.0x
P/E (12/01E)	42.9x
TEV/EBITDA (12/00E)	NA
TEV/EBITDA (12/01E)	NA
Book Value/Share (12/00E)	NA
Price/Book Value	NA
Dividend/Yield (12/00E)	$0.50/0.7%
Revenue (12/00E)	$54,287.0 mil.
Proj. Long-Term EPS Growth	20%
ROE (12/00E)	11.1%
Long-Term Debt to Capital(a)	NA

ENE is in the S&P 500® Index.

(a) Data as of most recent quarter

SHARE DATA

Price (7/21/00)	$73.00
52-Week Range	$77.88-$35.50
Shares Outstanding(a)	724.6 mil.
Convertible	No

RECOMMENDATION

Current Rating	1H
Prior Rating	1H
Current Target Price	$100.00
Previous Target Price	$100.00

EARNINGS PER SHARE

FY ends		1Q	2Q	3Q	4Q	Full Year
12/99A	Actual	$0.34A	$0.27A	$0.27A	$0.31A	$1.18A
12/00E	Current	$0.40A	$0.34A	$0.33E	$0.36E	$1.43E
	Previous	$0.40A	$0.32E	$0.33E	$0.38E	$1.43E
12/01E	Current	NA	NA	NA	NA	$1.70E
	Previous	NA	NA	NA	NA	$1.70E
12/02E	Current	NA	NA	NA	NA	NA
	Previous	NA	NA	NA	NA	NA

First Call Consensus EPS: 12/00E $1.40; 12/01E $1.64; 12/02E $1.85

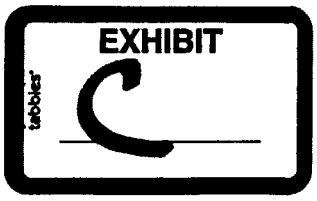
OPINION

We reiterate our 1H (Buy, High Risk) rating on ENE following announcement of 2Q:00 EPS of $0.34 per diluted share, up 26% from $0.27 last year, and ahead of our $0.32 estimate. Key segment, wholesale energy, showed a 23% y/y gain in operating income, on a 39% gain in volumes. While the gain in operating income is somewhat below expectation (although still solid), the volume gain is at the top end of the typical 30%-40% range, with EnronOnline, the online trading platform, the key reason for growth. European wholesale volumes also showed impressive gains as this market continues to rapidly grow following its opening in February 1999. Finally, ENE highlighted the recent formation of Enron NetWorks, a separate business devoted to expanding their risk merchant franchise into new energy and non-energy commodities, such as steel, pulp, paper, and even data storage. We expect more details about Enron NetWorks at the company's meeting with investors tomorrow in New York. Maintain 12-month price target of $100.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re ENRON CORPORATION SECURITIES LITIGATION	§	Civil Action No. H-01-3624 **(Consolidated)**
This Document Relates To:	§	CLASS ACTION
MARK NEWBY, et al., Individually and On Behalf of All Others Similarly Situated, Plaintiffs, vs. ENRON CORP., et al., Defendants.	§	
THE REGENTS OF THE UNIVERSITY OF CALIFORNIA, et al., Individually and On Behalf of All Others Similarly Situated, Plaintiffs, vs. KENNETH L. LAY, et al., Defendants.	§	

FIRST REQUEST FOR THE PRODUCTION OF DOCUMENTS TO CITIGROUP, INC.



Pursuant to Rules 26 and 34 of the Federal Rules of Civil Procedure, plaintiffs hereby request that defendant Citigroup respond fully to plaintiffs' First Request for the Production of Documents and produce for retention in the Court-ordered document depository the documents described herein within 30 days following the Court's ruling on the motion to dismiss, or at such other time as mutually agreed upon or ordered by the Court.

I. DEFINITIONS

Unless otherwise stated, the terms set forth below are defined as follows:

1. "Citigroup" means Citigroup Inc. and its predecessors (including Salomon Smith Barney Holdings, Citicorp and Citicorp Securities), successors, divisions, direct or indirect subsidiaries (including Citigroup Securities and Salomon Smith Barney Inc.), partnerships, limited partnerships, related parties, joint ventures, affiliates, officers, directors, employees, partners, agents, assigns, attorneys, any Citigroup-Controlled Entity, or anyone acting or purporting to act on its behalf. This includes Merchant Capital, Inc.

2. "Citigroup-Controlled Entity" means any person or entity in which Citigroup has an interest in, controls, is controlled by, is under the common control with and/or serves as agent or guarantor for or in connection with any transaction referenced herein or is a limited purpose or special purpose entity for which the majority of the transactions of such entity are arranged by or participated in by Citigroup, and all of their respective directors, officers, employees, representatives, agents, parents, subsidiaries, predecessors, affiliates and divisions, whether located in the United States or elsewhere.

3. "Citigroup Fund" means any executive or employee beneficial fund, partnership, corporation or other entity, or incentive compensation program or other investment vehicle controlled by Citigroup, and includes all directors, officers, employees, representatives, agents, parents, subsidiaries, predecessors, affiliates, divisions, and anyone acting or purporting to act on behalf of such a fund. This includes Merchant Capital, Inc.

4. "Advisory Services" includes, without limitation, any advisory or consulting products or services provided by you or your employees concerning: mergers and acquisitions; joint ventures; structured finance; structured products; derivatives; special purpose entities (including, without