

**CITY OF SAN ANTONIO  
INTERDEPARTMENTAL MEMORANDUM  
FINANCE DEPARTMENT**

TIME CERTAIN  
ITEM NO. 4  
1:30 PM

**TO:** Mayor and City Council

**FROM:** Milo Nitschke, Director, Finance Department

**THROUGH:** Terry M. Brechtel, City Manager

**COPIES:** Melissa Byrne Vossmer, Assistant City Manager; City Attorney's Office; City Clerk; File

**SUBJECT:** Amending the Ordinance which Authorized the Issuance of the City of San Antonio, Texas Hotel Occupancy Tax Revenue Bonds, Series 1996; Amending, Ratifying, Reconfirming and Readopting the Plan relating to the Expansion for the Convention Center Complex; and Authorizing the Issuance, Sale and Delivery of approximately \$11,085,000 City of San Antonio, Texas Hotel Occupancy Tax Subordinate Lien Revenue Refunding Bonds, Series 2004A and approximately \$115,105,000 City of San Antonio, Texas Hotel Occupancy Tax Subordinate Lien Revenue and Refunding Bonds, Series 2004B

**DATE:** June 3, 2004

**SUMMARY AND RECOMMENDATIONS**

Consideration of the following Ordinances:

- A. This Ordinance amends Ordinance No. 83735 which authorized the issuance of "City of San Antonio, Texas Hotel Occupancy Tax Revenue Bonds, Series 1996"; approves an amendment to the Master Repurchase Reserve Fund Agreement; and enacts other provisions incident and related to the subject and purpose of this Ordinance.
- B. This Ordinance amends, ratifies, reconfirms and readopts the plan relating to the expansion for the Convention Center Complex; and enacts other provisions incident and related to the subject and purpose of this Ordinance.
- C. This Ordinance authorizes the issuance of approximately \$11,085,000 "City of San Antonio, Texas Hotel Occupancy Tax Subordinate Lien Revenue Refunding Bonds, Series 2004A"; makes provision for the payment of these bonds on a parity with certain obligations; enacts other provisions incident and related to the issuance, payment, sale and delivery of such bonds, including the approval and execution of a paying agent/registrar agreement, a bond purchase agreement and an escrow agreement and the approval and distribution of an official statement, provides for the defeasance of the bonds being refunded; and provides an effective date.

D. This Ordinance authorizes the issuance of approximately \$115,105,000 "City of San Antonio, Texas Hotel Occupancy Tax Subordinate Lien Revenue and Refunding Bonds, Series 2004B"; makes provision for the payment of these bonds on a parity with certain obligations; enacts other provisions incident and related to the issuance, payment, sale and delivery of these bonds, including the approval and execution of a paying agent/registrar agreement, a bond purchase agreement and an escrow agreement and the approval and distribution of an official statement, providing for the defeasance of the bonds being refunded; delegates the authority to certain members of the City staff to execute certain documents relating to the sale of the bonds; and provides an effective date.

Staff recommends approval of these Ordinances.

### **BACKGROUND INFORMATION**

The City routinely evaluates the possibility of executing refunding transactions to achieve interest cost savings and/or financial structuring purposes. The Hotel Occupancy Tax Subordinate Lien Revenue Refunding Bonds, Series 2004A (the "Series 2004A Bonds") and Hotel Occupancy Tax Subordinate Lien Revenue and Refunding Bonds, Series 2004B (the "Series 2004B Bonds") are being issued to refund approximately \$87,665,000 of the Hotel Occupancy Tax Revenue Bonds, Series 1996 (the "Series 1996 Bonds"). The Series 2004B Bonds also includes \$25,000,000 in new money bonds for improvements and renovations to the Convention Center Complex. Our analysis shows that this refunding generates savings of approximately \$1,000,000 annually from 2004 through 2020 and overall present value savings of \$8,237,329 or 9.03%. These annual savings through 2020 will facilitate the capability to deposit amounts in excess of debt service requirements into the Convention Center Facilities Fund which can be used for construction or retirement of debt. In addition, this transaction will maintain or improve the credit quality of the outstanding Series 1996 Bonds, provide strong credit for the Series 2004A Bonds and Series 2004B Bonds, increase credit enhancement potential if needed for a Convention Center Headquarters Hotel financing, and facilitate a legal and financing debt service structure that is beneficial to a possible future Convention Center expansion financing.

In connection with the issuance and sale of the bonds, presentations were made to Moody's, Standard & Poor's and Fitch, on May 17 and 18, 2004. The ratings are anticipated to be received on May 28, 2004.

The bonds were submitted to bond insurance firms for qualification for municipal bond insurance. In the event the City selects to have the bonds insured, the bonds would be assigned the rating of "AAA", "Aaa" and "AAA" by Fitch, Moody's and Standard & Poor's respectively. Whether the bond insurance will be utilized will be determined the week the bonds are priced by comparing the interest cost on the bonds without insurance versus the interest cost on the bonds with insurance.

Due to I.R.S. tax law and arbitrage limitations, the sale of the two series of bonds must be separated by at least fifteen days. The Series 2004A Bonds will be sold the week of June 2, 2004 and the Series 2004B Bonds will be sold the week of June 21, 2004 by an underwriting syndicate including

including JP Morgan Securities, Inc. as Senior Book Running Manager; A.G. Edwards & Sons, Inc., as Co-Senior Manager; and Jackson Securities and Citigroup Global Markets as Co-Managers.

The final results of the first pricing and sale will be detailed in a memorandum which will be provided on Thursday, June 3, 2004.

### **POLICY ANALYSIS**

The sale of these bonds is consistent with the City's debt planning and management to achieve annual savings through 2020, restructure bond security and provide greater financing flexibility. Debt service on the Series 1996 Bonds and the Series 2004A&B Bonds will be paid from Hotel Occupancy Tax collections.

### **FISCAL IMPACT**


Any costs pertaining to the proposed bond transactions will be paid from the proceeds derived from the issuance and sale of such obligations. Therefore, there is no impact on the City's Operating Budget.

### **SUPPLEMENTAL COMMENTS**

The disclosures required by the City's Ethics Ordinance for each of the firms are attached.

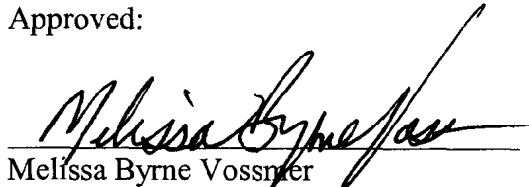
### **COORDINATION**

This action was coordinated with the City Manager's Office, the City Attorney's Office, the Departments of Finance, Convention and Visitors Bureau, Convention Facilities, the City's Underwriting Syndicate, Co-Financial Advisors and Co-Bond Counsel.

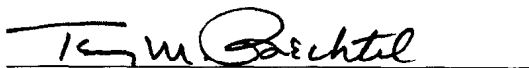


Milo D. Nitschke  
Director, Finance Department

Approved:



Melissa Byrne Vossmer  
Assistant City Manager



Terry M. Brechtel  
City Manager

## City of San Antonio Discretionary Contracts Disclosure\*

For use of this form, see City of San Antonio Ethics Code, Part D, Sections 1&2  
Attach additional sheets if space provided is not sufficient.  
State "Not Applicable" for questions that do not apply.

\* This form is required to be supplemented in the event there is any change in the information under (1), (2), or (3) below, before the discretionary contract is the subject of council action, and no later than five (5) business days after any change about which information is required to be filed.

### Disclosure of Parties, Owners, and Closely Related Persons

For the purpose of assisting the City in the enforcement of provisions contained in the City Charter and the Code of Ethics, an individual or business entity seeking a discretionary contract from the City is required to disclose in connection with a proposal for a discretionary contract:

(1) the identity of any individual who would be a party to the discretionary contract:

None.

(2) the identity of any business entity<sup>1</sup> that would be a party to the discretionary contract:

Dresdner Securities in conjunction with JPMorgan Securities Inc.

and the name of:

(A) any individual or business entity that would be a *subcontractor* on the discretionary contract;

None.

and the name of:

(B) any individual or business entity that is known to be a *partner*, or a *parent* or *subsidiary* business entity, of any individual or business entity who would be a party to the discretionary contract;

J.P. Morgan Chase & Co.  
CSI Portfolio Holdings  
Hambrecht & Quist California  
Lewco Securities Inc.

<sup>1</sup> A *business entity* means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, unincorporated association, or any other entity recognized by law.

- (3) the identity of any *lobbyist* or *public relations firm* employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract.

None.

#### Political Contributions

Any individual or business entity seeking a discretionary contract from the city must disclose in connection with a proposal for a discretionary contract all political contributions totaling one hundred dollars (\$100) or more within the past twenty-four (24) months made directly or indirectly to any *current* or *former member* of City Council, any *candidate* for City Council, or to any *political action committee* that contributes to City Council elections, by any individual or business entity whose identity must be disclosed under (1), (2) or (3) above. Indirect contributions by an individual include, but are not limited to, contributions made by the individual's spouse, whether statutory or common-law. Indirect contributions by an entity include, but are not limited to, contributions made through the officers, owners, attorneys, or registered lobbyists of the entity.

To Whom Made:	Amount:	Date of Contribution:
None.		

#### Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city shall disclose any known facts which, reasonably understood, raise a question<sup>2</sup> as to whether any city official or employee would violate Section 1 of Part B, Improper Economic Benefit, by participating in official action relating to the discretionary contract.

To the best of our knowledge we do not know of any issues that would raise any questions.

Signature: <i>Frank Radtke</i>	Title: Vice President Company: JPMorgan Securities Inc.	Date: 08/12/2003
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<sup>2</sup> For purposes of this rule, facts are "reasonably understood" to "raise a question" about the appropriateness of official action if a disinterested person would conclude that the facts, if true, require recusal or require careful consideration of whether or not recusal is required.

## LITIGATION DISCLOSURE

Failure to fully and truthfully disclose the information required by this Litigation Disclosure form may result in the disqualification of your proposal from consideration or termination of the contract, once awarded.

1. Have you or any member of your Firm or Team to be assigned to this engagement ever been indicted or convicted of a felony or misdemeanor greater than a Class C in the last five (5) years?

Circle One

YES

NO

2. Have you or any member of your Firm or Team been terminated (for cause or otherwise) from any work being performed for the City of San Antonio or any other Federal, State or Local Government, or Private Entity?

Circle One

YES

NO

3. Have you or any member of your Firm or Team been involved in any claim or litigation with the City of San Antonio or any other Federal, State or Local Government, or Private Entity during the last ten (10) years?

Circle One

YES

NO

If you have answered "Yes" to any of the above questions, please indicate the name(s) of the person(s), the nature, and the status and/or outcome of the information, indictment, conviction, termination, claim or litigation, as applicable. Any such information should be provided on a separate page, attached to this form and submitted with your proposal.

TO THE BEST OF MY KNOWLEDGE, THE ABOVE INFORMATION IS TRUE AND CORRECT.

Company Name: JPMorgan Securities Inc.

Frank Sanchez Reed  
Signature of Principal:

Frank Sanchez Reed  
Printed Name of Principal:

Vice President  
Title of Principal

Rev. 5/31/02

**CITY OF SAN ANTONIO**  
**Discretionary Contracts Disclosure\***

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Attach additional sheets if space provided is not sufficient.  
State "Not Applicable" for questions that do not apply.*

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**Disclosure of Parties, Owners, and Closely Related Persons**

For the purpose of assisting the city in the enforcement of provisions contained in the City Charter and the code of ethics, an individual or business entity seeking a discretionary contract from the city is required to disclose in connection with a proposal for a discretionary contract:

(1) the identity of any **individual** who would be a party to the discretionary contract:

N/A

(2) the identity of any **business entity**<sup>1</sup> that would be a party to the discretionary contract:

A.G. Edwards & Sons, Inc.

and the name of:

(A) any individual or business entity that would be a **subcontractor** on the discretionary contract;

A.G. Edwards has no subcontracting relationships with respect to the proposed contract with the exception of ordinary relationships involving other registered securities firms which may act or seek to act, from time to time, as underwriter or financial advisor to the State, which relationships are always known to the issuer on a transaction-by-transaction basis.

and the name of:

(B) any individual or business entity that is known to be a **partner**, or a **parent** or **subsidiary** business entity, of any individual or business entity who would be a party to the discretionary contract;

A.G. Edwards & Sons, Inc. is a wholly owned subsidiary of A.G. Edwards, Inc.

<sup>1</sup> A *business entity* means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, unincorporated association, or any other entity recognized by law.

- (3) the identity of any *lobbyist* or *public relations firm* employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract.

N/A

### Political Contributions

Any individual or business entity seeking a discretionary contract from the city must disclose in connection with a proposal for a discretionary contract all political contributions totaling one hundred dollars (\$100) or more within the past twenty-four (24) months made directly or indirectly to any *current* or *former member* of City Council, any *candidate* for City Council, or to any *political action committee* that contributes to City Council elections, by any individual or business entity whose identity must be disclosed under (1), (2) or (3) above. Indirect contributions by an individual include, but are not limited to, contributions made by the individual's spouse, whether statutory or common-law. Indirect contributions by an entity include, but are not limited to, contributions made through the officers, owners, attorneys, or registered lobbyists of the entity.


To Whom Made:	Amount:	Date of Contribution:
<p>A.G. Edwards has implemented firm-wide policies to ensure compliance with Rule G-37 of the Municipal Securities Rulemaking Board, as well as other applicable laws and rules governing political contributions. These procedures include, in part, the requirement that certain restricted employees obtain approval before making political contributions to any state or local candidate or official. In addition, such restricted employees must sign quarterly certifications, which identify specific contributions that were given during the reporting quarter. Based on the information available to the firm which was obtained through these procedures, to the best of our knowledge and belief, neither A.G. Edwards nor any of its employees who would participate as part of the firm's financing team have made any political contribution to any current or former member of City Council, any candidate for City Council, or to any political action committee that contributes to City Council elections.</p> <p>We note that spouses of the firm's employees, as well as other third parties who are not associated with A.G. Edwards, are not directly subject to our firm's political contributions policies and, therefore, we are not able to make a general representation concerning any contributions by such persons. However, the firm's policies prohibit our employees from using third parties to evade the firm's restrictions concerning political contributions.</p>		



### Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city shall disclose any known facts which, reasonably understood, raise a question<sup>2</sup> as to whether any city official or employee would violate Section 1 of Part B, Improper Economic Benefit, by participating in official action relating to the discretionary contract.

Because of the size and scope of our firm's business, it is not feasible to perform a firm-wide sweep that would enable us to make a categorical representation that there are no relationships in which there might be a potential conflict of interest involving the persons and entities involved with this proposed transaction. However, after a review of our firm's brokerage business and employee activities, we found no information to suggest that there is any relationship that would create a material conflict of interest in connection with the activity contemplated by this proposal. We note that A.G. Edwards engages in, and has in the past engaged in, routine brokerage and other securities transactions with the City of San Antonio and related entities.

<b>Signature:</b> 	<b>Title: Managing Director</b>  <b>Company: A.G. Edwards &amp; Sons, Inc.</b>	<b>Date:</b>  <b>August 12, 2003</b>
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<sup>2</sup> For purposes of this rule, facts are "reasonably understood" to "raise a question" about the appropriateness of official action if a disinterested person would conclude that the facts, if true, require recusal or require careful consideration of whether or not recusal is required.

## LITIGATION DISCLOSURE

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1. Have you or any member of your Firm or Team to be assigned to this engagement ever been indicted or convicted of a felony or misdemeanor greater than a Class C in the last five (5) years?

Circle One

YES

☒ NO

2. Have you or any member of your Firm or Team been terminated (for cause or otherwise) from any work being performed for the City of San Antonio or any other Federal, State or Local Government, or Private Entity?

Circle One

YES

☒ NO

3. Have you or any member of your Firm or Team been involved in any claim or litigation with the City of San Antonio or any other Federal, State or Local Government, or Private Entity during the last ten (10) years?

Circle One

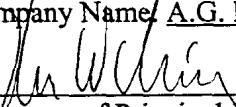
YES

☒ NO\*

If you have answered "YES" to any of the above questions, please indicate the name(s) of the person(s), the nature, and the status and/or outcome of the indictment, conviction, termination, claim or litigation, as applicable. Any such information should be provided on a separate page, attached to this form and submitted with your proposal.

TO THE BEST OF MY KNOWLEDGE, THE ABOVE INFORMATION IS TRUE AND CORRECT.

Company Name: A.G. Edwards & Sons, Inc.

  
Signature of Principal:

Nora W. Chávez

Printed Name of Principal:

Managing Director – Investment Banking

Title of Principal

\* A.G. Edwards & Sons, Inc. is a major underwriter of Public Finance and Corporate securities. In addition, the firm has an extensive full-service securities business with over 16,000 employees and over 700 offices in 49 states. During the normal course of business over the past ten (10) years, A.G. Edwards or its employees are or have been subject to informal inquiries, investigations, disciplinary actions and litigation (collectively referred to as "actions") involving a variety of federal and state governmental entities, regulatory bodies and clients. While some of these actions relate to or have related to the firm's municipal securities business, management believes that neither any of the actions considered individually, nor all such actions considered together, have had or will have a material adverse affect on the financial condition or operations of the firm, including the ability of A.G. Edwards to fulfill any obligations under this proposal. To the best of our knowledge and belief, none of the personnel in our firm's Public Finance department that would be assigned to work on the proposed transactions have been subject to any proceedings of the type described in the question.

Should the City desire additional information, all material legal proceedings are required to be reported by the firm in its periodic corporate filings with the Securities and Exchange Commission, which filings are a matter of public record; and the National Association of Securities Dealers sponsors a public disclosure program by which members of the public may request information about arbitrations and enforcement actions affecting the firm.

## City of San Antonio Discretionary Contracts Disclosure

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Attach additional sheets if space provided is not sufficient  
State "Not Applicable" for questions that do not apply.*

### Disclosure of Parties, Owners, and Closely Related Persons

For the purpose of assisting the City in the enforcement of provisions contained in the City Charter and the code of ethics, an individual or business entity seeking a discretionary contract from the city is required to disclose in connection with a proposal for a discretionary contract:

- (1) the identity of any **individual** who would be a party to the discretionary contract:

Robert K. Hedrick, Jr.  
Jackson Securities, LLC

- (2) the identity of any **business entity**<sup>1</sup> that would be a party to the discretionary contract:

Jackson Securities, LLC

and the name of:

- (A) any individual or business entity that would be a **subcontractor** on the discretionary contract;

Not Applicable

And the name of:

- (B) any individual or business entity that is known to be a **partner**, or a **parent** or **subsidiary** business entity, of any individual or business entity who would be a party to the discretionary contract;

Not Applicable

<sup>1</sup> A business entity mean a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, unincorporated association, or any other entity recognized by law.

- (3) the identity of any lobbyist or public relations firm employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract.

Not Applicable

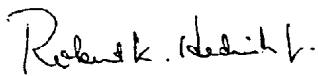
#### Political Contributions

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To Whom Made:	Amount:	Date of Contribution:
None		

#### Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city shall disclose any known facts which, reasonably understood, raise a question<sup>2</sup> as to whether any city official would violate Section 1 of Part B, Improper Economic Benefit, by participating in official action relating to the discretionary contract.

None		
Signature: 	Title: Managing Director  Company: Jackson Securities, LLC	Date: August 11, 2003

<sup>2</sup>For purposes of this rule, facts are "reasonably understood" to "raise a question" about the appropriateness of official action if a disinterested person would conclude that the facts, if true, require recusal or require careful consideration of whether or not a recusal is required.

## LITIGATION DISCLOSURE

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1. Have you or any member of your Firm or Team to be assigned to this engagement ever been indicted or convicted of a felony or misdemeanor greater than a Class C in the last five (5) years?

Circle One

YES

NO

2. Have you or any member of your Firm or Team been terminated (for cause or otherwise) from any work being performed for the City of San Antonio or any other Federal, State or Local Government, or Private Entity?

Circle One

YES

NO

3. Have you or any member of your Firm or Team been involved in any claim or litigation with the City of San Antonio or any other Federal, State or Local Government, or Private Entity during the last ten (10) years?

Circle One

YES

NO

If you have answered "YES" to any of the above questions, please indicate the name(s) of the person(s), the nature, and the status and/or outcome of the information, indictment, conviction, termination, claim or litigation, as applicable. Any such information should be provided on a separate page, attached to this form and submitted with your proposal.

To the best of my knowledge, the above information is true and correct.

Company Name: Jackson Securities, LLC

Robert K. Hedrick, Jr.

\_\_\_\_\_  
Signature of Principal

Robert K. Hedrick, Jr.  
Printed Name of Principal

Managing Director  
Title of Principal

# City of San Antonio

## Discretionary Contracts Disclosure\*

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(1) the identity of any **individual** who would be a party to the discretionary contract:

None

(2) the identity of any **business entity**<sup>1</sup> that would be a party to the discretionary contract:

None

and the name of:

(A) any individual or business entity that would be a **subcontractor** on the discretionary contract;

None

and the name of:

(B) any individual or business entity that is known to be a **partner**, or a **parent** or **subsidiary** business entity, of any individual or business entity who would be a party to the discretionary contract;

None

<sup>1</sup> A **business entity** means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, unincorporated association, or any other entity recognized by law.

(3) the identity of any lobbyist or public relations firm employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract.

None

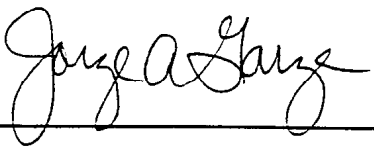
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<b>To Whom Made:</b>	<b>Amount:</b>	<b>Date of Contribution:</b>
None		

#### Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city shall disclose any known facts which, reasonably understood, raise a question<sup>2</sup> as to whether any city official or employee would violate Section 1 of Part B, Improper Economic Benefit, by participating in official action relating to the discretionary contract.

<b>Signature:</b> 	<b>Title:</b> Director <b>Company:</b> Citigroup	<b>Date:</b> 8/12/2003

<sup>2</sup> For purposes of this rule, facts are "reasonably understood" to "raise a question" about the appropriateness of official action if a disinterested person would conclude that the facts, if true, require recusal or require careful consideration of whether or not recusal is required.



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1. Have you or any member of your Firm or Team to be assigned to this engagement ever been indicted or convicted of a felony or misdemeanor greater than a Class C in the last five (5) years?

Circle One

YES

☒ NO

As is the case with most large financial institutions, Citigroup and its affiliates have from time to time received inquiries and grand jury subpoenas from law enforcement officials relating to the conduct of its customers and its employees. Citigroup and its affiliates operate under strict legal prohibitions relating to the disclosure of such investigations. See e.g., 18 U.S.C. Section 1510. No indictment or judgment of conviction of Citigroup or any of its affiliates has resulted from any such investigation.

2. Have you or any member of your Firm or Team been terminated (for cause or otherwise) from any work being performed for the City of San Antonio or any other Federal, State or Local Government, or Private Entity?

Circle One

YES

☒ NO

3. Have you or any member of your Firm or Team been involved in any claim or litigation with the City of San Antonio or any other Federal, State or Local Government, or Private Entity during the last ten (10) years?

Circle One

☒ YES

NO

From time to time Citigroup Global Markets Inc. ("Citigroup") and its employees are the subject of inquiries and investigations conducted by federal or state regulatory agencies. Citigroup routinely cooperates with such investigations. In addition, Citigroup is involved in a number of civil legal proceedings and arbitration proceedings concerning matters arising in connection with its business. As a public company, Citigroup Global Markets Holdings Inc. ("CGMHI"), the parent company of Citigroup, files periodic reports with the SEC as required by the Securities Exchange Act of 1934 which include current descriptions of material regulatory proceedings, investigations and litigation, if any, concerning Citigroup. To the best of our knowledge, information and belief, we are not aware of any threatened or pending proceedings, investigations or litigation concerning Citigroup or CGMHI which could reasonably be expected to have a material adverse effect on Citigroup's ability to perform the services contemplated by the Request for Proposal. Copies of

CGMHI's periodic reports are on file with the SEC. Citigroup's Form BD is on file with the SEC and with each State.

The following are summaries of certain pending material litigation and/or regulatory matters involving Citigroup:

**Enron:** Citigroup and various of its affiliates, together with numerous other parties, are named as defendants in a number of lawsuits filed in 2002 and 2003, including putative class actions, arising out of and relating to dealings with Enron Corp. and Enron-related securities. These lawsuits allege violations of certain federal and state securities laws, certain federal statutes (including ERISA and RICO), state unfair competition laws, and certain common law claims (including negligence, civil conspiracy, fraud and breach of fiduciary duty). Additionally, Citigroup has provided substantial information to, and has entered into substantive discussions with, the SEC and bank regulators regarding certain of its transactions with Enron and a transaction with Dynegy Inc. Citigroup and certain of its affiliates have also received subpoenas and requests for information from various regulatory and governmental agencies and Congressional committees as well as from the Special Examiner in the Enron bankruptcy, with which they are fully cooperating.

**Research:** Since May 2002, Citigroup and certain executive officers and current and former employees have been named as defendants in numerous putative class action complaints, other lawsuits and arbitration claims by purchasers of various securities alleging violations of certain federal and state securities laws and certain state statutes and certain common law claims for allegedly issuing research reports without a reasonable basis in fact and for allegedly failing to disclose conflicts of interest in connection with published investment research. Similar claims with respect to research have also been included in numerous cases pending against Citigroup and other broker/dealers in the IPO Allocation litigation disclosed below and in various other litigation, including the Enron and Worldcom litigation discussed herein.

On April 28, 2003, Citigroup and a number of other broker/dealers announced final agreements with the SEC, the NASD, the NYSE and the New York Attorney General (as lead state among the 50 states, the District of Columbia and Puerto Rico) to resolve on a civil basis all of their outstanding investigations into their research and IPO allocation and distribution practices. As part of the settlements, Citigroup has consented to the entry of an injunction and cease and desist orders barring Citigroup from violating provisions of the federal securities laws and related NASD and NYSE rules relating to research, certain IPO allocation practices, the safeguarding of material nonpublic information and the maintenance of required books and records and requiring Citigroup to adopt and enforce new restrictions on the operation of research. As required by the settlements, Citigroup expects to enter into related settlements with each of the other states, the District of Columbia and Puerto Rico. Consistent with the settlement-in-principle announced in December 2002, these settlement require Citigroup to pay \$300 million for retrospective relief, plus \$25 million for investor education, and commit to spend \$75 million to provide

independent third-party research to its clients at no charge. Citigroup reached these final settlement agreements without admitting or denying any wrongdoing or liability. The settlements do not establish wrongdoing or liability for purposes of any other proceeding.

In addition, with respect to issues raised by the SEC, the NASD and the NYSE about Citigroup's and other firms' email retention practices, Citigroup and several other broker/dealers and the SEC, the NASD and the NYSE entered into a settlement agreement in December 2002. Citigroup agreed to pay a penalty in the amount of \$1.65 million and did not admit to any allegation of wrongdoing.

WorldCom: Citigroup and various of its affiliates, together with numerous other parties, are involved in a number of lawsuits arising out of the underwriting of debt securities of WorldCom, Inc, including putative class actions filed in July 2002, asserting violations of certain federal and state securities laws, certain federal statutes and certain common law claims.

IPO Allocation: In April 2002, consolidated amended complaints were filed against Citigroup and other investment banks named in numerous putative class actions alleging violations of certain federal securities laws with respect to the allocation of shares for certain initial public offerings and related aftermarket transactions and damage to investors caused by allegedly biased research analyst reports. Also pending against Citigroup and other investment banks are several putative class actions which have been consolidated into a single class action alleging violations of certain federal and state antitrust laws in connection with the allocation of shares in initial public offerings when acting as underwriters.

Miscellaneous: In March 1999, a complaint seeking in excess of \$250 million was filed against Citigroup by a hedge fund and its investment advisor. The complaint included allegations that, while acting as prime broker for the hedge fund, Citigroup breached its contracts with plaintiffs, misused their monies, and engaged in tortious (wrongful) conduct, including breaching its fiduciary duties. In October 1999, the court dismissed the tort claims, including the breach of fiduciary duty claims, but allowed the breach of contract and misuse of money claims to stand. In September 2000, the court denied plaintiff's motion to dismiss Citigroup's counterclaims against the investment advisor based on indemnification and contribution. In August 2002, Citigroup filed a motion for summary judgment.

The following is a summary of a concluded material litigation matter involving Citigroup:

In September 1992, Ameritech Pension Trust and Ameritech Corporation sued Citigroup in federal court. The complaint alleged that purchases by Ameritech Pension Trust from Citigroup of approximately \$20.9 million in participations in a portfolio of motels violated ERISA, RICO and state law. Citigroup had acquired the participations from the owners of the motels to finance their purchases of motel

portfolios and sold 95% of three such issues and 100% of one such issue to Ameritech Pension Trust. Ameritech Pension Trust's complaint sought (1) approximately \$20.9 million on ERISA claims, and (2) damages under the RICO and state law claims as well as other relief. All such claims have been dismissed by the courts, except that the US Supreme Court reversed the dismissal of one ERISA claim against Citigroup in June 2000 and remanded the matter to trial court. Both the Department of Labor and the IRS had advised Citigroup that they were reviewing the underlying transactions. In July 2002, the entire matter was settled and all claims were resolved.

If you have answered "Yes" to any of the above questions, please indicate the name(s) of the person(s), the nature, and the status and/or outcome of the information, indictment, conviction, termination, claim or litigation, as applicable. Any such information should be provided on a separate page, attached to this form and submitted with your proposal.

TO THE BEST OF MY KNOWLEDGE, THE ABOVE INFORMATION IS TRUE  
AND CORRECT.

Company Name: Citigroup

Jorge A. Garza  
Signature of Principal: O

Jorge A. Garza  
Printed Name of Principal:

Director  
Title of Principal

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