

SECTION I-A

This section reflects publicly traded corporate debt instruments (mostly long term) originally issued at a discount after May 27, 1969, and before January 1, 1985. Debt instruments which matured or were entirely called before 2001 are not included. See Section I-B for corporate discount debt instruments issued after 1984.

CAUTION: The following OID information supercedes previously published information. Numbers may vary from previous editions because of rounding or updated information.

OID per

Daily OID per \$1,000 \$1,000 of

of Maturity Value Maturity for Each Accrual Period Issue (Percent)

Price Annual Value for Maturity for Each Accrual Period Issue (Percent)

of Stated Calendar Year Total

Principal Interest OID to 2001 1st 2001 2nd 2002 2nd

Name of Issuer Rate 1/1/01 Period CUSIP No. Date Period Date Amount)

2002

Allied Corp.	0.000	813.00	0.325878	019087AX3	08/15/84	08/01/01	11.791
							69.09
	0.000	632.00	0.251314	019087AY1	08/15/84	08/01/03	9.412
	109.15				0.322445		96.37
	0.000	494.78	0.194343	019087AZ8	08/15/84	08/01/05	7.675
	84.15				0.248276		74.45
	0.000	388.47	0.151926	019087BA2	08/15/84	08/01/07	6.113
	65.72				0.193794		58.19
	0.000	322.81	0.118547	019087BB0	08/03/84	08/01/09	6.136
	50.75				0.148210		45.38
American Medical International N.V.	0.000	737.22	0.279857	027433AD3	07/15/82	08/12/02	8.250
					0.358800		108.44

5.71	Baker Industries Corp.	077266AB0	06/29/83	07/01/03	87.719
15.875	79.68	0.038390	0.045374	0.053628	15.31
18.10					
6.000	Caterpillar Tractor Co.	149123AP6	05/05/82	05/01/07	42.369
23.05	430.39	0.063143	0.063143		23.05
7.000	Corning Glass Works	219327AC7	03/12/82	03/15/07	48.034
20.78	390.71	0.057721	0.057721		20.78
9.000	Empire Incorporated	291737AB0	06/07/83	12/31/07	59.000
27.60	141.31	0.060085	0.069442	0.080255	23.88
	Federal National				
0.000	Mortgage Association	313586QR3	07/05/84	07/05/14	3.625
29.37	188.67	0.068121	0.076086	0.084982	26.30
0.000		313586RC5	10/09/84	10/09/19	3.200
18.02	126.02	0.043701	0.048217	0.053200	16.33
7.000	Fruit of the Loom, Inc.	359416AH7	03/18/81	03/15/11	52.750
15.74	311.82	0.043135	0.043135		15.74
	General Electric Capital				
5.500	Corp.	369622AW5	11/03/81	11/01/01	37.924
6.000	594.92	0.085001			25.84
7.000	General Foods Corp.	369856AE9	06/23/81	06/15/01	47.580
16.13	512.35	0.071838			11.85
		369856AF6	06/23/81	06/15/11	51.624
18.48	7.000	315.11	0.044183	0.044183	16.13
	General Motors				
6.000	Acceptance Corporation	370424CF8	04/01/81	04/01/11	44.510
18.48	365.39	0.050643	0.050643		18.48
5.500		370424CK7	12/16/81	12/15/01	39.599
0.000	Hospital Corp.	441065AH2	05/26/82	06/01/01	9.306
0.000	887.07	0.132497			19.87
19.08		441065AJ8	05/26/82	06/01/02	8.368
6.500	ITT Corporation	450680AM5	05/06/81	05/01/11	41.890
19.37	380.96	0.053059	0.053059		19.37
6.500	ITT Corporation	460470AL1	07/01/81	07/01/01	46.479
7.500	521.95	0.073266			13.26
16.58		460470AM9	07/01/81	07/01/11	50.218
	323.67	0.045434	0.045434		16.58



44.53									
0.000	801.79	713440AT2	04/14/82	04/01/04	5.912				
42.80		0.117273	0.117273	42.80					
0.000	771.80	713440AU9	04/14/82	04/01/05	5.311				
41.20		0.112886	0.112886	41.20					
0.000	743.77	713440AV7	04/14/82	04/01/06	4.780				
39.71		0.108786	0.108786	39.71					
0.000	717.52	713440AW5	04/14/82	04/01/07	4.310				
38.31		0.104946	0.104946	38.31					
0.000	692.83	713440AX3	04/14/82	04/01/08	3.894				
36.99		0.101335	0.101335	36.99					
0.000	669.71	713440AY1	04/14/82	04/01/09	3.525				
35.75		0.097954	0.097954	35.75					
0.000	647.98	713440AZ8	04/14/82	04/01/10	3.196				
34.59		0.094776	0.094776	34.59					
0.000	627.51	713440BA2	04/14/82	04/01/11	2.904				
33.50		0.091782	0.091782	33.50					
0.000	608.16	713440BB0	04/14/82	04/01/12	2.643				
32.47		0.088951	0.088951	32.47					
Petro-Lewis Corp.		716451AH2	08/12/81	08/15/03	69.834				
13.625	265.78	0.037529	0.037529	13.70					
13.70									
Philip Morris, Inc.		718167AN9	07/09/81	07/15/01	42.800				
6.000	556.74	0.078238		15.26					
Pope, Evans and Robbins		732852AA6	11/16/82	11/15/02	89.250				
13.500	80.98	0.035917	0.041390	13.36					
13.16									
Rapid-American Corp.		753329AV3	03/01/84	03/01/01	10.022				
0.000	879.32	0.346742		20.46					
0.000	768.04	753329AW1	03/01/84	03/01/02	8.753				
20.46		0.302865	0.346751	123.97					
0.000	670.83	753329AX9	03/01/84	03/01/03	7.645				
123.98		0.264535	0.302867	108.28					
0.000	585.93	753329AY7	03/01/84	03/01/04	6.678				
108.28		0.231050	0.264529	94.58					
0.000	511.77	753329AZ4	03/01/84	03/01/05	5.832				
94.58		0.201812	0.231056	82.61					

0.000	100.16	0.033875	0.037240	0.040940	12.67
13.93					
Tennessee Gas Pipeline					
formerly Tenneco, Inc. 880451AJ8 12/15/81 12/15/11 40.783					
6.000	375.92	0.054831	0.054831		19.74
19.74					
Transamerica Financial					
Corp. 893502AH7 03/19/81 03/15/11 48.067					
6.500	342.71	0.047414	0.047414		17.31
17.31					
0.000	705.84	0.105177	0.105177	09/01/07	38.39
38.39					
0.000	648.93	0.096696	0.096696	03/01/10	2.753
35.29					35.29
0.000	599.50	0.089331	0.089331	09/01/12	1.986
32.61					32.61

SECTION I-B

This section reflects publicly traded corporate debt instruments (mostly long term) originally issued at a discount after December 31, 1984.

Debt instruments which matured or were entirely called before 2001 are not included. See Section I-A for corporate discount debt instruments issued before 1985.

CAUTION: The following OID information supercedes previously published information. Numbers may vary from previous editions because of rounding or updated information.

OID per

Daily OID Per \$1,000 \$1,000 of

of Maturity Value Maturity Issue Price

for Each Accrual Period

Annual

Value for

(Percent of

Stated Total

Calendar Year

Interest OID to 2001 1st 2001 2nd 2001 3rd 2002 2nd 2002 3rd

Name of Issuer CUSIP No. Date Date Amount

Rate 1/1/01

2001 2002

Period Period 2002 1st Period Period

35.94	18.32								
APP Finance VI									
Mauritius Limited		00202NAA3	11/18/97	11/18/12	20.424				
0.000	80.02	0.084770	0.089380	0.094240	0.099364	0.104767			
31.75	35.30								
APP Finance VII									
Mauritius Limited		00202PAA8	04/30/98	04/30/03	100.000				
3.500		0.300453	0.317954	0.336474	0.356074	0.376814			
113.51	127.12								
3.500		0.300453	0.317954	0.336474	0.356074	0.376814			
113.51	127.12								
3.500		0.300453	0.317954	0.336474	0.356074	0.376814			
113.51	127.12								
APP Finance (IX) Limited		00202VAC1	05/11/99	10/04/01	74.119				
9.060	162.39	0.327481	0.366492						
96.42									
ACME Metals, Inc.		004724AB6	08/11/94	08/01/04	67.821				
VARIABLES		0.374977	0.374976	0.374974	0.374972	0.374971			
134.99	134.99								
Adelphia Communications		006848AK1	02/22/94	02/15/04	100.000				
VARIABLES		0.263888	0.263888	0.263888	0.263888	0.263888			
95.00	95.00								
Advance Argo Public									
Company Limited		00738VAA8	06/17/96	06/17/01	100.000				
3.500		0.201641							
33.47									
Advance Holding Corp.		007451AB3	04/15/98	04/15/09	53.586				
VARIABLES		0.261801	0.278655	0.296593	0.315687	0.336009			
99.93	113.21								
Airgate PCS, Inc.		009367AA1	09/30/99	10/01/09	48.370				
VARIABLES		0.222179	0.238160	0.255290	0.273652	0.293335			
85.84	98.63								
VARIABLES		0.09367AB9	09/30/99	10/01/09	48.370				
85.84	98.63								
VARIABLES		0.222179	0.238160	0.255290	0.273652	0.293335			
Aladdin Gaming Holdings		010714AC7	02/26/98	03/01/10	45.168				
VARIABLES		0.270253	0.285852	0.312458	0.330493	0.361254			
106.66	123.32								
Alaris Medical, Inc.		011637AC9	07/28/98	08/01/08	58.144				
VARIABLES		0.223326	0.235748	0.248861	0.262704	0.277317			
86.46	96.35								
Algoma Steel, Inc.		01566MAA3	07/12/95	07/15/05	90.154				
12.375	37.30	0.026185	0.028051	0.030049	0.032191	0.034484			
10.40	11.94								
Alleghany Corporation		017176AA6	07/16/86	03/01/04	25.599				
0.000	527.26	0.166095	0.169825	0.179442	0.183471	0.193861			
52.94	68.00								
Allete Capital I		01853P209	03/20/96	12/31/15	100.000				

Alpharma, Inc.	020813AC5	06/02/99	06/01/06	100.000
3.000	0.119158	0.123256	0.127494	0.131877
43.88	46.95			
3.000	020813AD3	06/02/99	06/01/06	100.000
43.88	0.119158	0.123256	0.127494	0.131877
3.000	020813AE1	06/02/99	06/01/06	100.000
43.88	0.119158	0.123256	0.127494	0.131877
Alza Corporation	022615AC2	07/14/94	07/14/14	35.471
0.000	0.070594	0.072447	0.074349	0.076301
26.37	27.78			
Amazon.com, Inc.	023135AC0	05/08/98	05/01/08	61.507
VARIES	0.217643	0.228525	0.239951	0.251948
81.65	90.02			
America Online, Inc.	02364JAC8	12/06/99	12/06/19	55.126
0.000	0.047327	0.048037	0.048758	0.049489
17.20	17.72			
American Re Capital	029162203	08/30/95	09/30/25	100.000
8.500	0.233517	0.232240	0.233517	0.232240
85.00	85.00			
American Skiing Company	029654AG5	01/15/97	07/15/06	97.279
12.000	7.76	0.006674	0.007091	0.007534
2.62	2.96			
Amvestors Financial Corporation	032343AB1	07/12/96	07/12/03*	100.000
3.000	0.151508	0.156904		
29.91*				

\* Called in 2001; reportable OID is computed to call date.

SECTION I-B

OID per

Daily OID Per \$1,000 \$1,000 of

of Maturity Value Maturity Issue Price  
for Each Accrual Period  
(Percent of

Stated Total  
Calendar Year

Interest OID to 2001 1st 2001 2nd 2001 3rd 2002 2nd 2002 3rd  
Name of Issuer CUSIP No. Date Date Date Date  
Amount)

0.000		0.193889	0.200656	0.207659	0.214906
56.57	75.04				
0.000		032511AR8	03/13/01	03/13/21	100.000
56.57	75.04	0.193889	0.200656	0.207659	0.214906
Anixter International		035290AA3	06/28/00	06/28/20	25.257
0.000	9.04	0.050272	0.053852	0.055432	0.057688
18.63	19.96				
0.000	9.04	035290AB1	06/28/00	06/28/20	25.257
18.63	19.96	0.050272	0.053852	0.055432	0.057688
0.000	9.04	035290AC9	06/28/00	06/28/20	25.257
18.63	19.96	0.050272	0.053852	0.055432	0.057688
Anker Coal Group, Inc.		035396AE0	10/28/99	10/01/07	84.997
14.250		0.421440	0.427030	0.427853	0.433662
154.41	156.63				
Arch Escrow Corporation		039384AC6	04/09/99	04/15/08	95.091
13.750	5.26	0.009569	0.010274	0.011032	0.011846
3.68	4.25				
Republic of Argentina		040114A23	12/04/98	12/04/05	97.750
11.000	4.96	0.007573	0.008008	0.008467	0.008953
2.83	3.16				
8.875		040114BD1	03/01/99	03/01/29	75.576
6.39	7.21	0.016538	0.017564	0.018653	0.019810
0.000	92.06	0.221993			
23.09					
0.000	96.86	0.234818	0.245683		
68.64					
0.000	92.94	0.226137	0.237298	0.249010	0.261300
85.16	72.93				
0.000	87.84	0.214491	0.225747	0.237593	0.250061
81.00	89.72				
0.000	81.08	0.198498	0.209359	0.220814	0.232897
75.11	83.55				
11.750	1.05	0.005675	0.006044	0.006438	0.006857
2.12	2.41				
10.250	.28	0.001725	0.001836	0.001954	0.002080
.68	.77				
VARIABLES		040114GF1	06/19/01	12/19/08	77.800
29.96	63.20	0.155267	0.167829	0.181409	0.196086

Industrial Development	04233KAB2	07/29/99	08/20/34	6.955		
0.000	7.96	0.016228	0.016857	0.017510	0.018189	0.018893
6.12	6.61					
Atlanta Urban						
Residential Finance	047852DF2	09/08/94	10/01/16	16.362		
0.000	111.12	0.062602	0.065223	0.067955	0.070800	0.073765
23.49	25.50					
ATMEL Corporation	049513AB0	04/21/98	04/21/18	33.785		
0.000	53.22	0.059115	0.060740	0.062411	0.064127	0.065891
21.80	23.02					
		049513AC8	04/21/98	04/21/18	33.785	
0.000	53.22	0.059115	0.060740	0.062411	0.064127	0.065891
21.80	23.02					
Australis Holdings Ltd.	05258AA3	11/01/96	11/01/02	55.068		
VARIABLES	0.423582	0.424113	0.424683	0.425298		
152.65	127.52					
		05258AB1	11/01/96	11/01/02	55.068	
VARIABLES	0.423582	0.424113	0.424683	0.425298		
152.65	127.52					
		05258AC9	11/01/96	11/01/02	55.068	
VARIABLES	0.423582	0.424113	0.424683	0.425298		
152.65	127.52					
		05258AD7	11/01/96	11/01/02	55.068	
VARIABLES	0.423582	0.424113	0.424683	0.425298		
152.65	127.52					
		05258AE5	11/01/96	11/01/02	55.068	
VARIABLES	0.423582	0.424113	0.424683	0.425298		
152.65	127.52					
Avalon Cable, LLC	053402AB9	12/10/98	12/01/08	56.332		
VARIABLES	0.230787	0.243153	0.259003	0.272880	0.290669	
87.37	98.06					
Avatex Funding, Inc.	05349GAA1	12/07/99	12/07/02	69.418		
6.750	88.76	0.265501	0.293379	0.324184	0.358223	
102.01	115.05					
Avon Products, Inc.	054303AN2	07/12/00	07/12/20	47.566		
0.000	8.37	0.049548	0.050477	0.051423	0.052387	0.053370
18.32	19.01					
		054303AP7	07/12/00	07/12/20	47.566	
0.000	8.37	0.049548	0.050477	0.051423	0.052387	0.053370
18.32	19.01					
Azusa, California						
Redevelopment Agency	05502MAB9	06/16/92	12/01/12	16.502		
0.000	185.17	0.086925	0.090838	0.094927	0.099200	0.103665
32.24	35.20					
B.F. Goodrich Company	05538W208	07/06/95	09/30/25	100.000		
8.300		0.228022	0.226776	0.228022	0.226776	0.228022
83.00	83.00					
BFP Holdings Corp.	055398AC5	04/27/94	04/15/04	46.098		
VARIABLES	0.396285	0.396019	0.400249	0.400258	0.404831	
144.90	146.45					

Annual Value for	Maturity		Issue Price
	of Maturity Value	for Each Accrual Period	
Stated Calendar Year	Total		(Percent of
Interest	OID to	2001 1st 2001 2nd 2001 3rd 2002 2nd 2002 3rd	
Name of Issuer	CUSIP No.	Issue Maturity Date	Principal Amount)
Rate 1/1/01	Period	2002 1st Period	
2001	2002		
<hr/>			
Baker Hughes, Inc.	057224M0	05/05/93 05/05/08*	59.425
0.000 180.82	0.074946	0.076257	
11.05*			
Bank of America Corporation	06050MAC1	09/07/99 09/07/06	100.000
0.250 79.55	0.219911	0.227525	0.235410 0.243578
79.55	0.208819	0.215918	0.232260 0.230851
0.000 74.53	0.201952	0.208819	0.215918 0.232260 0.230851
0.250 87.78	0.245713	0.254965	0.264576 0.274559
Bank of America Corporation	06606NAJ3	04/27/99 04/27/04	100.000
0.000 65.27	0.182016	0.187331	0.192801 0.198431
65.27	0.202594	0.210860	0.219464 0.228419 0.228188
Bear Stearns Companies	073908N43	05/19/97 05/19/17	67.550
VARIABLES 75.13	0.082533	0.085484	0.086540 0.091705 0.094984
75.13	0.082533	0.085484	0.086540 0.091705 0.094984
Bear Stearns Companies	073928CL5	06/12/98 06/12/13	34.862
0.000 30.36	0.092115	0.095096	0.098175 0.101353 0.104634
30.36	0.048554	0.050618	0.052769 0.055012 0.057350
0.000 33.70	0.048554	0.050618	0.052769 0.055012 0.057350
33.70	0.048554	0.050618	0.052769 0.055012 0.057350
0.000 18.55	0.037196	0.038504	0.039857 0.041258 0.042708
18.55	0.037196	0.038504	0.039857 0.041258 0.042708
Beaver County Industrial Development Authority	07487TAB9	04/29/99 11/20/24	17.103
0.000 20.98	0.037196	0.038504	0.039857 0.041258 0.042708

55.37	Bexar County Housing								
	Finance Corporation	08838EAC4	08/24/99	03/01/15*					31.143
0.000		33.40	0.071543	0.074283					
13.21*									
	Big City Radio, Inc.	089098AA5	03/17/98	03/15/05					72.055
VARIABLES		0.294216	0.305698	0.310764	0.305697	0.310763			
111.29		112.50							
VARIABLES		0.294216	0.305698	0.310764	0.305697	0.310763			
111.29		112.50							
VARIABLES		0.294216	0.305698	0.310764	0.305697	0.310763			
111.29		112.50							
VARIABLES		0.294216	0.305698	0.310764	0.305697	0.310763			
111.29		112.50							
Big Flower Trust I		089164206	10/20/97	10/15/27*	100.000				
6.000		0.166667	0.166667	0.166667					
60.00*									
6.000		0.89164305	10/20/97	10/15/27*	100.000				
60.00*		0.166667	0.166667	0.166667					
Brightpoint, Inc.		109473AA6	03/11/98	03/11/18	45.289				
0.000		53.25	0.055559	0.057803	0.058959	0.060138			
20.45		21.27							
0.000		53.25	0.055559	0.057803	0.058959	0.060138			
20.45		21.27							
0.000		53.25	0.055559	0.057803	0.058959	0.060138			
20.45		21.27							
Brill Media Company		109492AC2	12/30/97	12/15/07	89.963				
VARIABLES		0.128701	0.128311	0.129351	0.128998	0.130085			
46.92		47.16							
7.500		109492AH1	12/30/97	12/15/07	92.200				
47.01		47.27	0.128057	0.129459	0.128739	0.130183	0.129508		
Budget Group Capital									
Trust									
6.250		119001204	06/19/98	06/15/28	100.000				
63.77		63.85	0.175125	0.174277	0.175346	0.174503	0.175582		
6.250		119001303	06/19/98	06/15/28	100.000				
63.77		63.85	0.175125	0.174277	0.175346	0.174503	0.175582		
Butler County Industrial									
Development Authority									
0.000		12359RAQ5	01/15/97	11/01/05	51.150				
54.80		180.48	0.147409	0.153135	0.159083	0.165262	0.171681		
		59.14							
0.000		12359RAP3	01/15/97	05/01/06	49.018				
52.96		174.23	0.142433	0.148001	0.153786	0.159798	0.166044		
57.18		57.18							
			12359RAS1	01/15/97	11/01/06	47.084			

12359RAW2 01/15/97 11/01/08 39.917  
 0.000 144.37 0.118292 0.122987 0.127869 0.132944 0.138221  
 44.00 47.57

\* Called in 2001; reportable OID is computed to call date.

SECTION I-B

OID per

Daily OID Per \$1,000 \$1,000 of

of Maturity Value Maturity Issue Price  
 Annual Value for for Each Accrual Period (Percent of

Stated Total  
 Calendar Year  
 Interest OID to 2001 1st 2001 2nd 2001 3rd 2002 2nd 2002 3rd  
 Name of Issuer CUSIP No. Date Date Date  
 Rate 1/1/01 Period 2002 1st Period Amount)  
 2001 2002

Butler County Industrial

Development Authority 12359RAX0 01/15/97 05/01/09 38.166  
 0.000 139.04 0.114026 0.118581 0.123317 0.128243 0.133365  
 42.43 45.88  
 0.000 133.70 0.109647 0.114026 0.118581 0.123317 0.128243  
 40.80 44.12  
 0.000 128.64 0.105577 0.109815 0.114224 0.118809 0.123578  
 39.29 42.51  
 0.000 123.71 0.101588 0.105682 0.109940 0.114370 0.118978  
 37.81 40.92  
 0.000 118.92 0.097676 0.101617 0.105716 0.109981 0.114418  
 36.36 39.35  
 CFW Communications 124923AA1 07/26/00 08/15/10 96.149  
 13.000 .82 0.005286 0.005649 0.006036 0.006450 0.006892  
 2.07 2.36

120.85	141.92								
VARIABLES		125127AB6	11/26/97	12/01/07	42.106				
		0.317779	0.344371	0.373189	0.404419	0.438261			
120.85	141.92								
Call-Net Enterprises		130910AE2	07/24/98	08/15/08	64.249				
VARIABLES		0.191014	0.199551	0.208470	0.217788	0.227522			
72.68	79.32								
Canadian General Insurance Group		135785202	02/27/96	03/31/26*	100.000				
9.125	0.250687								
22.31*									
Caremark RX, Inc.		14170K209	09/29/99	10/01/29	100.000				
7.000	0.194444	0.194444	0.194444	0.194444	0.194444	0.194444			
70.00	70.00								
		14170K308	09/29/99	10/01/29	100.000				
7.000	0.194444	0.194444	0.194444	0.194444	0.194444	0.194444			
70.00	70.00								
Carolina Power & Light Company		144141850	04/21/95	06/30/25*	100.000				
8.550	0.237500	0.237500							
74.58*									
Cellular, Inc.		151163AC6	09/07/93	09/01/03	56.609				
VARIABLES		0.326380	0.326380	0.326379	0.326379	0.326378			
117.50	117.50								
Cendant Corporation		151313AE3	02/13/01	02/13/21	60.841				
0.000		0.160046	0.167624	0.175561	0.183874				
51.94	64.02								
0.000									
51.94	64.02								
0.000									
61.42	99.90								
0.000									
61.42	99.90								
VARIABLES									
30.69	71.94								
Century Communications		156503AF1	04/01/93	03/15/03	42.125				
0.000	404.65	0.198408	0.207212	0.216406	0.226008	0.236037			
74.92	81.72								
8.375	4.32								
1.65	1.81								
0.000	123.73								
49.64	54.24								
0.000	123.73								

VARIES	0.343454	0.344087	0.344761	0.345476	0.346237
123.96	124.46				
		172438AB3	09/30/96	08/01/03	100.000
VARIES	0.343454	0.344087	0.344761	0.345476	0.346237
123.96	124.46				
Citibank Credit Card					
Master Trust I 1996-1	17303CAA9	01/29/96	02/07/01	74.817	
0.000	246.14	0.158162			
5.69					
		17303CAB7	01/29/96	02/07/01	74.270
0.000	251.46	0.162104			
5.84					
Citizens Communications					
Company					
VARIES	17453B200	06/19/01	08/17/06	98.920	
41.42	78.21	0.215495	0.215849	0.216960	0.218116
Citrix Systems, Inc.	177376AA8	03/22/99	03/22/19	35.471	
0.000	34.21	0.055910	0.057378	0.058884	0.060430
20.69	21.79				0.062016
		177376AB6	03/22/99	03/22/19	35.471
0.000	34.21	0.055910	0.057378	0.058884	0.060430
20.69	21.79				0.062016

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SECTION I-B

OID per

Daily OID Per \$1,000 \$1,000 of

of Maturity Value Maturity Issue Price  
Annual Value for for Each Accrual Period (Percent of

Stated Total Calendar Year

Interest	OID to	2001 1st	2001 2nd	2001 3rd	2002 2nd	2002 3rd
Name of Issuer		Issue	Maturity	Principal		
Rate	1/1/01	Period	Date	Amount)		
2001	2002	Period	2002 1st	Period	Period	Period



0.000	215.42	215381HQ2	12/31/96	12/01/02	65.789
64.00	62.69	0.173590	0.179838	0.186311	0.193017
0.000	202.51	215381HH0	12/31/96	12/01/03	60.888
60.30	64.79	0.163514	0.169481	0.175666	0.182077
0.000	189.97	215381HJ6	12/31/96	12/01/04	56.244
56.70	60.97	0.153694	0.159380	0.165277	0.171391
0.000	177.83	215381HK3	12/31/96	12/01/05	51.854
53.20	57.27	0.144160	0.149566	0.155174	0.160992
Cooper Cameron Corp.		216640AA0	05/16/01	05/17/21	77.941
0.000		0.026490	0.027060	0.027229	0.027399
6.10	9.85				0.027570
Coppell Independent					
School District		217489SV6	09/25/97	08/15/02	72.799
0.000	172.14	0.160970	0.166280	0.171766	0.177433
60.37	39.50				
0.000	163.93	217489SW4	09/25/97	08/15/03	67.642
57.67	61.62	0.153611	0.158795	0.164153	0.169691
0.000	155.58	217489SX2	09/25/97	08/15/04	62.668
54.90	58.75	0.146095	0.151134	0.156347	0.161740
0.000	147.17	217489SY0	09/25/97	08/15/05	57.892
52.08	55.82	0.138478	0.143358	0.148411	0.153641
0.000	138.27	217489SZ7	09/25/97	08/15/06	53.555
49.03	52.60	0.130287	0.134944	0.139767	0.144763
Corning, Inc.		219350AJ4	11/08/00	11/08/15	74.192
0.000	2.18	0.041218	0.041631	0.042047	0.042467
14.96	15.26				0.042892
Costco Companies, Inc.		22160QAA0	08/19/97	08/19/17	49.960
0.000	61.92	0.053901	0.054844	0.055804	0.056780
19.83	20.53				0.057774
0.000	61.92	22160QAB8	08/19/97	08/19/17	49.960
19.83	20.53	0.053901	0.054844	0.055804	0.056780
0.000	61.92	22160QAC6	08/19/97	08/19/17	49.960
19.83	20.53	0.053901	0.054844	0.055804	0.056780
County Seat Stores, Inc.		222581AA8	10/15/93	10/01/01	93.827
12.000	52.92	0.031250	0.033325		
8.81					
12.000	52.92	222581AB6	10/15/93	10/01/01	93.827
8.81		0.031250	0.033325		

Value for		(Percent of					
Stated Calendar Year	Total	2001 1st	2001 2nd	2001 3rd	2002 2nd	2002 3rd	Principal
Interest Rate 2001	OID to 2002	Period	CUSIP No. Period	Issue Date	Maturity Date	Period	Amount
VARIES	120.41	0.270208	222814AA3 03/11/98	03/11/98	03/15/08	0.352906	50.666
VARIES	120.41	0.270208	222814AB1 03/11/98	03/11/98	03/15/08	0.352906	50.666
VARIES	120.41	0.270208	222814AC9 03/11/98	03/11/98	03/15/08	0.352906	50.666
VARIES	120.41	0.270208	222814AD7 03/11/98	03/11/98	03/15/08	0.352906	50.666
VARIES	120.41	0.270208	222814AG0 03/11/98	03/11/98	03/15/08	0.352906	50.666
VARIES	120.41	0.270208	222814AH8 03/11/98	03/11/98	03/15/08	0.352906	50.666
7.000	6.38	0.025387	224044305 08/12/99	08/12/99	08/16/02	97.688	97.688
0.250	70.47	0.145976	224044404 08/12/99	08/12/99	08/16/02	83.916	83.916
54.60	35.77	0.266653	224044503 11/29/99	11/29/99	11/15/29	100.000	100.000
VARIES	99.14	0.270333	224044AW7 03/14/00	03/14/00	03/14/30	100.000	100.000
3.000	108.38	0.112692	224044AX5 04/19/00	04/19/00	04/19/20	42.589	42.589
42.58	46.20	0.033773	224044BA4 02/23/01	02/23/01	02/23/21	69.503	69.503
0.348	12.46					0.034926	0.034926

VARIES		0.202272	0.212765	0.223802	0.235412	0.247624
75.70	83.75					
		228227AE4	08/03/99	08/01/11	57.889	
VARIES		0.201705	0.213050	0.225034	0.237692	0.251062
78.16	87.20					
		228227AF1	08/03/99	08/01/11	57.889	
VARIES		0.201705	0.213050	0.225034	0.237692	0.251062
78.16	87.20					
Crown Packaging		228441AC5	08/13/96	08/01/06	32.367	
Enterprises, Ltd.		0.267403	0.288920	0.312168	0.337287	0.364427
VARIES						
106.85	124.74					
Crown Packaging Holdings		228443AC1	11/01/93	11/01/03	38.504	
VARIES		0.365642	0.367367	0.369210	0.371178	0.373280
132.16	133.51					
Cypress-Fairbanks ISD		232760AV0	05/27/93	02/15/04	47.838	
0.000	328.43	0.152810	0.158157	0.163692	0.169420	0.175349
57.45	61.55					
Danka Business Systems		236277AC3	06/29/01	04/01/08	28.000	
10.000		0.065740	0.073160	0.089316	0.109040	
12.63	32.48					
0.000		236277AD1	06/29/01	04/01/04	35.000	
77.82	197.37	0.406118	0.449472	0.543350	0.656834	
Dayton Superior		240028AB6	06/16/00	06/15/09	95.575	
Corporation		0.007694	0.008183	0.008799	0.009358	0.010062
13.000	1.43					
2.92	3.34					
		240028AC4	06/16/00	06/15/09	95.575	
13.000	1.43	0.007694	0.008183	0.008799	0.009358	0.010062
2.92	3.34					
		240028AD2	06/16/00	06/15/09	95.575	
13.000	1.43	0.007780	0.008319	0.008897	0.009514	0.010174
2.92	3.33					
		240028AE0	06/16/00	06/15/09	95.575	
13.000	1.43	0.007780	0.008319	0.008897	0.009514	0.010174
2.92	3.33					
		240028AF7	06/16/00	06/15/09	95.575	
13.000	1.43	0.007694	0.008183	0.008799	0.009358	0.010062
2.92	3.34					
DeGeorge Home Alliance		244785AA9	03/31/94	04/01/01	97.600	
12.000	22.77	0.013716				
1.23						
Details Capital Corp.		25063TAA5	11/18/97	11/15/07	54.595	
VARIES		0.272450	0.289478	0.307569	0.326792	0.347215
102.76	116.01					
Detroit Edison Company		250847712	02/13/96	03/31/26	100.000	
7.625		0.209478	0.208333	0.209478	0.208333	0.209478
76.25	76.25					
Deutsche Bank AG		251526BE8	07/02/01	02/08/08	99.877	

0.250	25153EBM2	11/15/00	11/15/07	100.000
69.99	0.189672	0.195911	0.202362	0.209034
				0.215933
0.000	25153EBN0	11/15/00	11/15/05	96.300
67.23	0.182034	0.188227	0.194632	0.201254
				0.208102
0.250	25153EBP5	01/12/01	01/12/08	100.000
56.82	0.159669	0.161408	0.168626	0.170474
2.750	25153EBR1	02/08/01	02/08/08	100.000
52.08	0.159365	0.159133	0.164246	0.164073
				0.164073
	252567AA0	09/28/94	09/30/04	52.613
	Communications, PLC			
	VARIES	0.364012	0.362023	0.364012
				0.362023
				0.364012
132.50				

SECTION I-B

OID per \$1,000 of \$1,000 of

of Maturity Value Maturity Issue Price

Annual Value for for Each Accrual Period (Percent of

Stated Total

Calendar Year

Interest OID to 2001 1st 2001 2nd 2001 3rd 2002 2nd 2002 3rd

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Name of Issuer CUSIP No. Date Date Amount

Rate 1/1/01 Period 2002 1st Period

2001 2002

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Diamond Cable

Communications, PLC 252567AB8 12/15/95 12/15/05 56.502

VARIES 0.326390 0.326390 0.326390 0.326390 0.326390

117.50 117.50

DIVA Systems Corporation 255013AA2 05/30/96 05/15/06 52.946

VARIES 0.340736 0.363116 0.363248 0.363388 0.363538

127.73 130.81

255013AB0 05/30/96 05/15/06 52.946

VARIES	255013AM6	02/19/98	03/01/08	50.100
101.98	0.262193	0.279921	0.298847	0.319054
Dolphin Telecom, PLC	256886AE2	05/28/98	06/01/08	57.120
VARIES	0.241541	0.255429	0.270116	0.285648
90.31	101.00			0.302072
VARIES	256886AH5	05/18/99	05/15/09	50.892
91.85	105.16			0.317447
Drypers Corp.	262497AC4	11/03/92	11/01/02	96.520
12.500	0.013681	0.014580	0.015537	0.016558
5.20	4.84			
Duarte, California				
Redevelopment Agency	263594AB9	06/16/92	12/01/12	16.484
0.000	0.086923	0.090838	0.094930	0.099206
32.24	35.21			0.103674
Duke Power Company	264399CP9	03/09/93	03/01/03*	95.935
5.875	29.53	0.013239	0.013665	
2.45*				
E. Spire Communications	269153AA0	11/14/95	11/01/05	53.515
VARIES	0.361089	0.361088	0.361086	0.361085
129.99	129.99			0.361083
VARIES	269153AB8	03/26/96	04/01/06	53.809
125.59	127.50			0.354157
VARIES	0.332935	0.354159	0.354158	0.354158
129.99	129.99			0.361083
VARIES	269153AD4	11/14/95	11/01/05	53.515
125.59	127.50			0.361085
VARIES	269153AE2	03/26/96	04/01/06	53.809
84.20	93.38			0.354157
VARIES	0.332935	0.354159	0.354158	0.354158
84.20	93.38			0.361085
VARIES	269153AH5	07/24/98	07/01/08	59.989
84.20	93.38			0.266092
VARIES	0.227826	0.239927	0.252671	0.266092
84.20	93.38			0.266092
Eagle Industries, Inc.	269612AB3	07/12/93	07/15/03	59.897
VARIES	0.291663	0.291663	0.291663	0.291663
105.00	105.00			0.291663
El Paso Corporation	28336LAA7	02/28/01	02/28/21	45.289
0.000	0.049227	0.051044	0.053216	0.053106
15.34	18.92			
0.000	28336LAC3	02/28/01	02/28/21	45.289
15.34	18.92			0.053106
0.000	0.049227	0.051044	0.053216	0.053106
El Salvador, Republic	283875AE2	08/11/99	08/15/06	92.196
9.500	11.16	0.023674	0.026383	0.027852
9.13	10.17			0.029402
Electronic Data Systems	285661203	06/26/01	08/17/06	100.000

VARIABLES	0.190119	0.201209	0.213783	0.227143
53.27	77.45			
Emmie Escrow Corporation	291530AA1	03/27/01	03/15/11	54.760
VARIABLES	0.190119	0.201209	0.213783	0.227143
53.27	77.45			
Enron Corporation	293561CC8	02/07/01	02/07/21	65.524
0.000	0.038677	0.039088	0.039503	0.039923
12.59	14.27			
0.000	293561CD6	02/07/01	02/07/21	65.524
12.59	14.27			
0.000	0.038677	0.039088	0.039503	0.039923
Entercom Communications	29363P104	10/06/99	09/30/14	100.000
6.250	0.171703	0.170765	0.171703	0.170765
62.50	62.50			
Energy Louisiana	29364A205	07/16/96	09/30/45	100.000
Capital I	0.247253	0.245902	0.247253	0.245902
9.000	90.00			
Energy Arkansas	29364C201	08/14/96	09/30/45	100.000
Capital I	0.233517	0.232240	0.233517	0.232240
8.500	85.00			
Energy Gulf States	29364H200	01/28/97	03/31/46	100.000
Capital Trust I	0.240385	0.239071	0.240385	0.239071
8.750	87.50			
Erie School District	295528CW1	05/20/98	09/01/01	82.176
0.000	139.25	0.158847	0.163668	
38.99				

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SECTION I-B

OID per

Daily OID Per \$1,000 \$1,000 of

of Maturity Value Maturity Issue Price  
Annual Value for for Each Accrual Period

Stated Total Calendar Year (Percent of

Interest OID to 2001 1st 2001 2nd 2001 3rd 2002 2nd 2002 3rd

0.000	124.99	0.142732	0.147131	0.151667	0.155342	0.161161
53.25	56.58					
Essex County Utilities						
Authority						
0.000	42.71	0.069990	0.071373	0.072783	0.074231	0.075688
25.70	26.72					
296816BD2 03/30/99 04/01/01 89.024						
0.000	95.46	0.158933				
14.30						
296816BE0 03/30/99 04/01/02 83.856						
0.000	90.87	0.151369	0.155872	0.160510		
56.13	14.45					
296816BF7 03/30/99 04/01/03 78.897						
0.000	86.39	0.143973	0.148300	0.152756	0.157347	0.162075
53.40	56.66					
296816BG5 03/30/99 04/01/04 74.144						
0.000	82.03	0.136773	0.140924	0.145201	0.149608	0.154149
50.74	53.87					
296816BH3 03/30/99 04/01/05 69.072						
0.000	78.90	0.131768	0.135893	0.140146	0.144533	0.149057
48.93	52.04					
296816BJ9 03/30/99 04/01/06 64.504						
0.000	74.91	0.125199	0.129181	0.133289	0.137527	0.141901
46.52	49.52					
European Bank for						
Reconstruction						
0.750		0.165813	0.172661			
31.42						
29875BAA4 07/02/98 07/02/01 100.000						
Exxon Capital Ventures						
0.000	675.92	0.222718				
10.02						
301915AM6 04/15/87 02/15/01 31.406						
First Citizens Bancorp.						
of South Carolina						
8.250		0.229167	0.229167	0.229167	0.229167	0.229167
82.50	82.50					
30244CAC0 03/24/98 03/15/28 100.000						
FRD Acquisition Co.						
12.500		0.347222	0.347222	0.347222	0.347222	0.347222
125.00	125.00					
30261WAA8 10/10/96 07/15/04 100.000						
Family Restaurants, Inc.						
VARIABLES		0.302077	0.302076	0.302076	0.302076	0.302075
108.75	108.75					
Federal Home Loan						
Mortgage Corporation						
0.000		0.185478	0.191671			
53.98*						
3129022D0 10/16/00 10/16/03* 100.000						
0.000						
67.29	20.71					
3129022M0 10/18/00 04/18/02 100.000						
3129022Q1 10/25/00 04/25/02* 100.000						
0.000						
3129022Q1 10/25/00 04/25/02* 100.000						

0.000	4.59	0.086533	0.089921	0.093441	0.097099	0.100901
32.13	34.69					
0.000		3129023T4	10/30/00	04/30/02*	100.000	
5.23*		0.180203				
0.000		3129023V9	10/30/00	05/15/07	67.060	
0.000	7.06	0.115827	0.119419	0.123122	0.126940	0.130876
42.68	45.37					
0.000		3129023X5	11/03/00	11/03/03*	99.900	
22.55*		0.184832				
0.000		3129024P3	11/15/00	02/15/02*	100.000	
8.01*		0.182121				
0.000		3129024R7	11/22/00	11/22/02*	100.000	
9.43*		0.184997				
0.000		3129024T3	11/14/00	11/14/03*	100.000	
24.64*		0.185238				
0.000		3129024U0	11/13/00	11/13/03*	100.000	
58.07*		0.182644	0.188649			
0.000		3129024Y2	11/20/00	12/20/01*	100.000	
9.01*		0.183948				
0.000		3129025G0	11/21/00	05/21/02*	100.000	
25.74*		0.183844				
0.000		3129025L9	11/21/00	05/21/02*	100.000	
25.74*		0.183844				
0.000		3129025R6	11/28/00	11/28/03*	100.000	
10.61*		0.186186				
0.000		3129025S4	12/04/00	12/04/03*	100.000	
28.23*		0.184533				
0.000		3129025T2	11/29/00	05/29/02*	100.000	
26.36*		0.178116				
0.000		3129026E4	12/05/00	03/05/02*	100.000	
27.36*		0.176057	0.178846			
0.000		3129026F1	12/05/00	06/05/02*	100.000	
27.15*		0.176288				
0.000		3129026G9	12/06/00	03/30/10	56.100	
36.16	2.45	0.098175	0.100138	0.103293	0.106547	0.109903
	38.37					

of Maturity Value		Maturity			Issue Price
Annual Value for		for Each Accrual Period			
Stated Calendar Year	Total	-----			(Percent of
Interest Rate	OID to	2001 1st	2001 2nd	2001 3rd	2002 2nd
2001	2002	Period	Period	Period	2002 3rd
Name of Issuer	CUSIP No.	Date	Date	Date	Principal
1/1/01	Period	2002 1st	2002 1st	2002 1st	Amount)
2001	2002	Period	Period	Period	Period
<hr/>					
Federal Home Loan					
Mortgage Corporation					
0.000	3.27	0.130637	0.133164	0.137223	0.141405
48.08	50.93				0.145714
0.000		0.172371			100.000
27.92*					
0.000		0.197088			100.000
1.77*					
0.000	29.90	0.074106			30.832
8.60*					
0.000	63.85	0.152414	0.157312	0.162367	0.167585
56.05	59.71				0.172970
0.000	60.46	0.144400	0.149096	0.153944	0.158950
53.12	56.63				0.164119
0.000	58.65	0.140083	0.144648	0.149363	0.154230
51.53	54.94				0.159257
0.000	57.80	0.135814	0.140247	0.144825	0.149552
50.77	54.14				0.154434
0.000	57.03	0.136261	0.140729	0.145343	0.150109
50.13	53.47				0.155032
0.000	56.49	0.132066	0.136403	0.140882	0.145509
49.65	52.96				0.150287
0.000	55.36	0.132347	0.136707	0.141210	0.145862
					0.150666

0.000	53.81	0.128629	0.132892	0.137296	0.141846	0.146547
47.33	50.52					
0.000	53.29	312902FX2	10/12/99	08/01/06	64.123	
46.87	50.03	0.124616	0.128752	0.133026	0.137441	0.142002
0.000	50.62	312902FY0	10/12/99	06/01/07	60.546	
44.55	47.57	0.121041	0.125083	0.129260	0.133577	0.138037
0.000	47.21	312902PZ7	10/12/99	07/01/08	56.244	
41.58	44.42	0.113604	0.117414	0.121353	0.125423	
0.000	8.81	312902GK9	11/15/99	11/15/29*	9.506	
7.34*		0.022848	0.023762			
0.000	59.87	312902GQ6	12/22/99	05/01/01	92.000	
20.13		0.167736				
0.000	58.79	312902GU7	10/22/99	08/16/04	73.251	
52.81	56.33	0.140845	0.145469	0.150244	0.155176	0.160270
0.000		312902J59	07/31/00	01/30/02*	100.000	
5.42*		0.187054				
0.000		312902K32	08/22/00	02/22/02*	100.000	
9.81*		0.192421				
0.000	8.66	312902K65	08/24/00	08/24/15*	29.741	
16.39*		0.068156	0.070967			
0.000	62.11	312902KR9	11/29/99	01/16/01	93.547	
2.42		0.161302				
0.000		312902L80	08/22/00	02/22/02*	100.000	
9.67*		0.189566				
0.000	61.55	312902LU1	12/07/99	01/16/01	93.600	
2.45		0.163131				
0.000	9.95	312902LX5	12/17/99	12/17/29	14.255	
10.23	10.92	0.027888	0.028808	0.029759	0.030741	0.031756
0.000	26.18	312902MC0	12/17/99	12/17/14	30.699	
27.29	29.53	0.074084	0.077059	0.080153	0.083371	0.086718
0.000	8.08	312902MD8	12/17/99	12/17/29	9.506	
8.42	9.10	0.022848	0.023762	0.024713	0.025701	0.026729
0.000		312902N21	08/28/00	02/28/02*	100.000	
10.86*		0.187317				

11.12*								
0.000	5.60	0.045494	312902P94	08/28/00	08/28/20*	19.852		
11.12*			0.047903					
0.000		0.189827	312902Q28	09/07/00	03/07/02*	100.000		
12.53*		0.185024	312902Q44	08/24/00	08/26/02*	100.000		
0.000		0.186290	312902R35	08/28/00	02/28/02*	100.000		
9.81*								
0.000	15.10	0.045821	312902RF8	01/24/00	01/24/20*	18.105		
10.80*								
0.000								
1.05*								

\* Called in 2001; reportable OID is computed to call date.

SECTION I-B

OID per

Daily OID Per \$1,000 \$1,000 of

of Maturity Value Maturity Issue Price  
 Annual Value for for Each Accrual Period (Percent of

Stated Total Calendar Year

Interest OID to 2001 1st 2001 2nd 2001 3rd 2002 1st 2002 2nd 2002 3rd

Name of Issuer	CUSIP No.	Date	Date	Amount)
Rate 1/1/01	Period	2002 1st	Period	Period
2001	2002			

Federal Home Loan				
Mortgage Corporation	312902T58	09/21/00	03/21/02*	100.000
0.000	0.188005			
15.04*				
0.000	0.195760	03/20/00	09/20/01	100.000
		0.202430		

0.000	0.187532	0.193891	0.200465	0.207263	0.214291
70.07					
0.000		312902V48	09/18/00	09/18/03	99.550
69.99	0.187532	0.193891	0.200465	0.207263	0.214291
0.000		312902VG1	04/25/00	01/04/21	25.643
18.23	0.048233	0.049846	0.051512	0.053234	0.055013
0.000		312902VH9	04/25/00	01/04/22	24.042
17.08	0.045179	0.046688	0.048248	0.049859	0.051524
0.000		312902VJ5	04/25/00	01/04/23	22.536
16.00	0.042320	0.043732	0.045192	0.046700	0.048259
0.000		312902VK2	04/25/00	01/04/24	21.145
14.99	0.039656	0.040978	0.042344	0.043756	0.045214
0.000		312902VL0	04/25/00	01/04/25	20.007
14.09	0.037278	0.038512	0.039788	0.041105	0.042467
0.000		312902VM8	04/25/00	01/04/26	18.780
13.21	0.034951	0.036107	0.037302	0.038536	0.039810
0.000		312902VN6	04/25/00	01/04/27	17.654
12.39	0.032792	0.033875	0.034993	0.036149	0.037342
0.000		312902VS5	04/25/00	01/04/12	46.161
33.01	0.087293	0.090226	0.093259	0.096393	0.099632
0.000		312902VT3	04/25/00	01/04/13	43.203
30.90	0.081711	0.084457	0.087296	0.090230	0.093263
0.000		312902VU0	04/25/00	01/04/14	40.436
28.92	0.076484	0.079055	0.081712	0.084459	0.087298
0.000		312902VW8	04/25/00	01/04/18	31.141
22.21	0.058732	0.060701	0.062735	0.064838	0.067011
0.000		312902VM6	04/25/00	01/04/19	29.163
20.79	0.054987	0.056830	0.058734	0.060702	0.062736
0.000		312902VX4	04/25/00	01/04/20	27.313
19.47	0.051483	0.053208	0.054990	0.056833	0.058736
0.000		312902VY2	04/25/00	01/04/02	89.810
61.46	0.162844	0.168093	0.173513		
0.000		312902WH8	09/27/00	03/27/02*	100.000
12.03*	0.188010				



Name of Issuer	Rate	1/1/01 2001	CUSIP No.		Date		Amount	
			Period	2002 1st Period	Date	Period	Amount	Period
Federal Home Loan Mortgage Corporation	0.000	27.37	3129234Y8	0.109772	08/06/01	09/06/02	100.000	100.000
	15.96			0.110133	0.112309			
	4.200		3129235F8		08/01/01	09/01/11	100.000	
	0.000	18.21	3129236B6		07/30/01	07/30/21	23.606	23.606
	7.28			0.048197	0.049968		0.051805	
	0.000	35.28	3129236C4		08/06/01	11/06/02	100.000	
	16.47			0.113147	0.114299		0.116627	
	0.000	18.33	3129236M2		08/06/01	08/06/21	24.300	24.300
	7.05			0.048600	0.050350		0.052163	
	0.000		312923AR6		12/28/00	06/28/02*	100.000	
	28.91*		0.163338					
	0.000	29.81	312923C29		05/15/01	10/01/02	94.580	94.580
	24.39			0.107265	0.108921		0.111144	
	0.000	40.70	312923C37		05/15/01	12/31/02	93.450	93.450
	24.80			0.109860	0.112173		0.114534	
	0.000	42.65	312923C45		05/15/01	12/31/03	88.700	88.700
	25.84			0.114456	0.117099		0.119803	0.122570
	0.000	42.46	312923C60		05/16/01	10/01/03	89.880	89.880
	25.68			0.113375	0.115310		0.117928	0.120606
	0.000	43.05	312923C78		05/16/01	04/01/04	87.430	87.430
	26.01			0.114766	0.116800		0.119560	0.122385
	0.000	43.26	312923C86		05/16/01	10/01/04	84.980	84.980
	26.10			0.115176	0.117286		0.120148	0.123079
	0.000	43.13	312923C94		05/16/01	01/03/05	83.780	83.780
	25.96			0.114796	0.115539		0.118388	0.121308
	0.000	32.05	312923CD5		01/26/01	07/26/02	100.000	100.000
	50.45			0.148758	0.152742		0.156832	

27.06*	312923E76	05/23/01	05/23/06	100.000
0.000	0.153799	0.158057	0.162432	0.166929
33.69	58.03			
0.000	312923E84	05/22/01	11/22/02*	100.000
11.03*	0.122554			
0.000	312923G33	05/21/01	11/21/02*	100.000
11.64*	0.125212			
0.000	312923G66	05/18/01	05/18/06	99.580
35.94	60.65	0.160290	0.164934	0.169713
0.000	312923GY5	02/08/01	08/08/02*	100.000
13.03*	0.144804			
0.000	312923G22	02/08/01	08/08/02*	100.000
13.08*	0.145332			
0.000	312923HL2	02/14/01	08/14/02*	100.000
13.10*	0.145595			
0.000	312923HMO	02/14/01	08/14/02*	100.000
26.21*	0.145594			
0.000	312923HVO	02/14/01	08/14/02*	100.000
13.27*	0.147441			
0.000	312923JB2	02/14/01	08/14/02*	100.000
12.98*	0.144276			
0.000	312923JW6	02/21/01	08/21/02*	100.000
13.13*	0.145859			
0.000	312923KG9	03/05/01	09/05/02*	100.000
13.71*	0.152314			
0.000	312923LS2	03/06/01	08/30/02*	100.000
12.77*	0.138808			
0.000	312923NR2	03/12/01	09/12/02*	100.000
12.75*	0.141636			
0.000	312923Q73	06/06/01	08/30/02*	100.000
10.73*	0.116458	0.118257		
0.000	312923Q99	06/20/01	12/20/02*	100.000
11.19*	0.124282			
	312923QL2	03/20/01	09/20/02*	100.000

0.000 312923UD5 04/02/01 10/02/02\* 100.000  
 11.99\* 0.133171  
 0.000 312923UM5 04/03/01 10/03/02\* 100.000  
 12.20\* 0.135554

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 \* Called in 2001; reportable OID is computed to call date.

SECTION I-B

OID per  
 Daily OID Per \$1,000 \$1,000 of  
 of Maturity Value Maturity Issue Price  
 Annual Value for for Each Accrual Period (Percent of

Stated Total  
 Calendar Year  
 Interest OID to 2001 1st 2001 2nd 2001 3rd 2002 2nd 2002 3rd  
 Name of Issuer CUSIP No. Date Date Date  
 Rate 1/1/01 Period 2002 1st Period Amount)  
 2001 2002

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Federal Home Loan  
 Mortgage Corporation 312923UT0 04/05/01 07/05/02\* 100.000  
 0.000 0.132987  
 11.97\*  
 0.000 312923VN2 05/10/01 11/10/20 24.245  
 11.61 19.15 0.049837 0.051681 0.053594 0.055577  
 0.000 312923XV2 05/16/01 11/16/20 23.793  
 11.24 19.04 0.049570 0.051429 0.053358 0.055358  
 0.000 312923YJ8 05/07/01 05/07/21 23.835  
 11.41 18.57 0.048333 0.050097 0.051926 0.053821  
 0.000 312923YW9 05/07/01 11/07/02\* 100.000  
 11.30\* 0.125611

0.000			0.032957	0.034198	0.035485
4.28	12.42				
0.000		312924AW3	08/16/01	08/16/23	18.772
5.46	15.26		0.040412	0.041978	0.043605
0.000		312924AX1	08/27/01	08/27/21	22.934
5.92	17.98		0.047779	0.049571	0.051429
0.000		312924AY9	08/28/01	08/28/23	18.972
4.99	15.28		0.040579	0.042615	0.043764
0.000		312924AZ6	08/28/01	08/28/26	14.588
3.91	11.99		0.031810	0.033430	0.034356
0.000		312924BJ1	08/06/01	02/06/03	100.000
15.99	40.74		0.110295	0.112485	0.114718
0.000		312924BM4	08/27/01	08/27/26	14.088
3.88	11.80		0.031287	0.032538	0.033839
0.000		312924BQ5	08/27/01	08/27/26	14.071
3.88	11.80		0.031269	0.032520	0.033821
0.000		312924BV4	08/21/01	08/21/21	23.156
6.23	18.05		0.047920	0.049705	0.051557
0.000		312924CP8	08/27/01	08/27/31	9.506
2.62	7.97		0.021124	0.021970	0.022848
0.000		312924ES8	09/18/01	09/18/26	15.307
3.35	12.20		0.032528	0.033772	0.035064
0.000		312924HC0	09/24/01	09/24/26	15.870
3.21	12.37		0.033063	0.034303	0.035590
0.000		312924HG1	09/25/01	09/25/26	15.124
3.11	12.11		0.032349	0.033594	0.034888
Fedders North America		313139AE7	08/24/99	08/15/07	95.304
9.375	5.59		0.012707	0.013358	0.014043
4.64	5.12				0.014763
Federal Home Loan Banks		3133M0LL3	06/25/97	06/25/12*	30.832
0.000	97.95				
15.69*					
0.000	66.11		3133M0NM9	06/26/97	06/26/17*
.06*					20.829
0.000	97.32		3133M0NR8	07/02/97	07/02/12*
.09*					30.832

22.30	24.12								
0.000	96.71	0.086702	3133M0QL8	07/09/97	07/09/12*			30.787	
.69*									
0.000	64.22	0.058567	3133M0TM3	07/28/97	07/28/17*			20.829	
12.55*		0.060910							
0.000	64.22	0.058567	3133M0TR2	07/28/97	07/28/17*			20.829	
1.58*									
0.000	65.22	0.059105	3133M0U74	07/25/97	07/25/17			21.855	
22.42	24.19	0.061395	0.063774	0.066246	0.068813				
0.000	64.22	0.058567	3133M0U82	07/28/97	07/28/17*			20.829	
12.55*		0.060910							
0.000	64.22	0.058567	3133M0UH2	07/28/97	07/28/17*			20.828	
1.58*									
0.000	43.11	0.039566	3133M0US8	08/05/97	08/05/22			14.071	
15.00	16.22	0.041148	0.042794	0.044506	0.046286				
0.000	63.87	0.058567	3133M0VFS	08/04/97	08/04/17*			20.829	
1.93*									
0.000	64.22	0.058567	3133M0VUZ	07/28/97	07/28/17*			20.829	
1.58*									
0.000	65.27	0.059588	3133M0X71	08/07/97	08/07/17			22.933	
22.51	24.23	0.061823	0.064141	0.066547	0.069042				

\* Called in 2001; reportable OID is computed to call date.

SECTION I-B

OID per	Daily OID Per \$1,000	Maturity	Issue Price
of Maturity Value	Annual Value for	for Each Accrual Period	(Percent of
Stated Calendar Year	Total Year	Issue Maturity Principal	
		\$1,000 of	
		Maturity	
		for Each Accrual Period	
		Issue Maturity Principal	

13.13*									
0.000	63.36	0.058220	3133M0Y88	08/04/97	08/04/17*	20.236			
1.92*									
0.000	64.79	0.059436	3133M0YU9	08/11/97	08/11/17	22.574			
22.45	24.18			0.061689	0.064028	0.066655	0.068975		
0.000	63.46	0.058567	3133M0ZM4	08/11/97	08/11/17*	20.829			
2.34*									
0.000	43.57	0.040244	3133M0ZQ7	08/15/97	08/15/22	14.764			
15.21	16.41			0.041814	0.043444	0.045139	0.046899		
Federal Home Loan Banks			3133M1DR7	08/25/97	08/25/22	14.588			
0.000	42.96	0.040076		0.041649	0.043284	0.044983	0.046748		
15.11	16.32		3133M1EB1	08/25/97	08/25/17*	20.159			
0.000	62.07	0.058173							
3.14*									
0.000	61.78	0.058499	3133M1KY4	09/08/97	09/08/17*	20.709			
3.92*									
0.000	60.49	0.058454	3133M1RG6	09/29/97	09/29/17*	20.630			
5.14*									
0.000	41.72	0.040909	3133M1WK1	10/21/97	10/21/22	15.492			
15.23	16.41			0.042464	0.044077	0.045752	0.047491		
Federal Home Loan Banks			3133M2D95	01/23/98	01/23/23	17.185			
0.000	39.54	0.040818		0.042282	0.043798	0.045368	0.046994		
15.43	16.55		3133M2H34	01/29/98	01/29/18	24.160			
0.000	55.75	0.057949		0.060044	0.062214	0.064453	0.066794		
21.89	23.50		3133M2H59	01/27/98	01/27/23	17.905			
0.000	39.97	0.041350		0.042797	0.044295	0.045846	0.047450		
15.60	16.71		3133M2JB4	12/18/97	12/18/12	31.623			
0.000	83.02	0.085949		0.089129	0.092427	0.095846	0.099393		
31.60	33.98		3133M2T80	01/26/98	01/26/18	23.928			
0.000	55.80	0.057859		0.059965	0.062148	0.064410	0.066754		
21.87	23.49		3133M2YK7	01/14/98	01/14/13	34.862			
0.000	80.72	0.082533		0.085484	0.088540	0.091705	0.094984		
31.25	33.52		Federal Home Loan Banks	3133M3CT0	04/07/98	04/07/28	12.693		
0.000	26.29	0.029314		0.030340	0.031402	0.032501	0.033638		
10.91	11.69		3133M3RR8	03/16/98	03/16/23	16.655			

0.000	48.44	3133M4LS0	06/08/98	06/08/18	24.536
21.38	22.94	0.058087	0.060164	0.062315	0.064542 0.066850
0.000	24.46	3133M4T86	07/07/98	07/07/28	13.648
11.05	11.81	0.029223	0.030210	0.031229	0.032283 0.033373
0.000	47.48	3133M4T38	06/29/98	06/29/18	25.159
21.36	22.89	0.058298	0.060344	0.062462	0.064655 0.066924
0.000	45.94	3133M4YA5	07/27/98	07/27/18	25.257
21.26	22.78	0.056356	0.058329	0.060370	0.062483 0.064670
0.000	45.94	3133M4YB3	07/27/98	07/27/18	25.257
21.26	22.78	0.056356	0.058329	0.060370	0.062483 0.064670
0.000	45.94	3133M4YP2	07/27/98	07/27/18	25.257
21.26	22.78	0.056356	0.058329	0.060370	0.062483 0.064670
0.000	45.51	3133M4ZH9	08/03/98	08/03/18	25.014
21.21	22.73	0.056267	0.058251	0.060304	0.062430 0.064631
0.000	45.83	3133M4ZK2	07/27/98	07/27/18	24.966
21.23	22.75	0.056249	0.058235	0.060291	0.062419 0.064622
Federal Home Loan Banks		3133M54Y3	08/10/98	08/10/18	25.552
0.000	45.32	0.056460	0.058419	0.060446	0.062543 0.064713
21.24	22.74				
0.000	44.62	3133M56Y1	08/20/98	08/20/18	25.208
21.16	22.67	0.056339	0.058313	0.060357	0.062473 0.064663
0.000	47.04	3133M5AN0	08/17/98	12/29/17	27.130
22.18	23.73	0.060551	0.062625	0.064770	0.066988 0.069282
0.000	44.25	3133M5EK2	08/27/98	08/27/18	25.257
21.14	22.65	0.056356	0.058329	0.060370	0.062483 0.064670
0.000	22.74	3133M5ER7	09/08/98	09/08/28	13.727
10.95	11.70	0.029295	0.030281	0.031300	0.032353 0.033442
0.000	44.23	3133M5ET3	08/27/98	08/27/18	25.208
21.14	22.64	0.056339	0.058313	0.060357	0.062473 0.064663
0.000	43.50	3133M5PJ4	09/10/98	09/10/18	25.208
21.08	22.59	0.056339	0.058313	0.060357	0.062473 0.064663
0.000	20.98	3133M5HA1	09/15/98	09/15/28	11.806
10.26	11.02	0.027416	0.028410	0.029440	0.030507 0.031613
0.000	20.98	3133M5HX1	09/15/98	09/15/28	11.806
		0.027416	0.028410	0.029440	0.030507 0.031613

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\* Called in 2001; reportable OID is computed to call date.

SECTION I-B

OID per

Daily OID Per \$1,000 \$1,000 of

of Maturity Value Maturity Issue Maturity Principal Issue Price  
 Annual Value for for Each Accrual Period (Percent of

Stated Total Calendar Year  
 Interest OID to 2001 1st 2001 2nd 2001 3rd 2002 2nd 2002 3rd

Name of Issuer Rate 1/1/01 2002 CUSIP No. Date Date Amount)  
 2001 2002 Period Period 2002 1st Period Period

Federal Home Loan Banks	0.000	22.97	0.030326	0.031302	0.032310	0.033350	14.934
	11.28	12.01					0.034424
Federal Home Loan Banks	0.000	38.84	0.056356	0.058329	0.060370	0.062483	25.257
	20.76	22.23					0.064670
	0.000	20.18	0.029402	0.030387	0.031405	0.032457	13.847
	10.81	11.54					0.033545
	0.000	38.54	0.057091	0.058947	0.060862	0.062840	27.822
	20.92	22.31					0.064803
	0.000	89.57	0.126807				90.485
	5.58						
	0.000	19.31	0.029044	0.030031	0.031052	0.032108	13.451
	10.64	11.37					0.033200
Federal Home Loan Banks	0.000	18.67	0.028269	0.029223	0.030210	0.031229	13.648
	10.65	11.38					0.032283
	0.000	36.09	0.054821	0.056685	0.058612	0.060605	26.253
							0.062666

0.000	87.06	0.130785				
10.72			3133M7HT6	02/26/99	02/26/01	100.000
0.000		0.151338				
8.32			3133M7LJ3	02/25/99	02/25/19	25.257
0.000	34.32	0.054451	0.056356	0.058329	0.060370	0.062483
20.43	21.89					
0.000	33.61	0.054451	0.056356	0.058329	0.060370	0.062483
20.38	21.84					
0.000	33.23	0.054451	0.056356	0.058329	0.060370	0.062483
20.36	21.81					
0.000	33.01	0.054147	0.056082	0.058087	0.060164	0.062315
20.26	21.73					
0.000	46.18	0.076808	0.079496	0.082393	0.085682	0.088788
20.68*						
0.000	21.61	0.107085	0.080248	0.082393	0.054897	0.056364
30.78						
0.000	46.18	0.076808	0.079496	0.082393	0.085682	0.088788
20.68*						
Federal Home Loan Banks						
0.000	16.12	0.026930	0.027889	0.028882	0.029910	0.030975
10.05	10.78					
0.000	32.10	0.054391	0.056303	0.058282	0.060331	0.062452
20.26	21.71					
0.000	75.98	0.127192	0.130719	0.134343	0.138068	0.141896
47.04	49.68					
0.000	71.41	0.125537	0.128962	0.132480	0.136094	0.139807
46.21	48.76					
0.000	29.13	0.053932	0.055887	0.057913	0.060012	0.062188
19.91	21.38					
0.000	40.43	0.077000	0.079792	0.082684	0.085682	0.088788
28.35	30.44					
0.000	78.30	0.139625	0.143545	0.147575	0.151719	83.585
52.05	33.80					
0.000		0.008104	0.008104	0.008104	0.008104	94.378
1.43						

9.87	10.58								
		3133M95Z1	06/23/99	06/23/14*					31.872
0.000	39.23								
13.27*		0.077124							
		3133M9B76	07/19/99	07/19/29*					9.506
0.000	11.46								
.41*		0.022848							
		3133M9CD2	08/17/99	08/17/29					11.806
0.000	12.14								
9.61	10.32	0.025532	0.026457	0.027416	0.028410	0.029440			
		3133M9CR1	07/28/99	07/28/14*					30.831
0.000	36.50								
2.00*		0.074106							
		3133M9FK3	07/28/99	07/28/09*					47.889
0.000	53.02								
2.90*		0.107392							
		3133M9JE3	07/29/99	07/27/06					64.021
0.000	60.81								
46.15	49.19	0.122754	0.126730	0.130835	0.135074	0.139449			
		3133M9TE2	09/15/99	03/15/01					100.000
0.000									
13.23		0.178822							
		3133M9UQ3	09/01/99	03/01/05					71.017
0.000	61.52								
49.55	52.73	0.132691	0.136884	0.141210	0.145673	0.150276			
		3133M9XG2	10/06/99	10/06/14*					29.740
0.000	31.32								
7.02*		0.073894							

\* Called in 2001; reportable OID is computed to call date.

SECTION I-B

OID per

Daily OID Per \$1,000 \$1,000 of

of Maturity Value Maturity Issue Price  
 Annual Value for Each Accrual Period (Percent of

Stated Total Calendar Year  
 Interest OID to 2001 1st 2001 2nd 2001 3rd 2002 2nd 2002 3rd  
 Name of Issuer CUSIP No. Date Date Date Date Date  
 Amount)

4.15									
0.000	56.45	3133MAGW4	10/20/99	04/20/05	70.101				
50.54	53.91	0.136350	0.140825	0.145447	0.150221				
					0.155151				
0.000	59.87	3133MAGQ6	12/22/99	05/01/01	92.000				
20.13		0.167736							
0.000		3133MAGM4	01/27/00	04/16/01	100.000				
19.36		0.184341							
0.000		3133MARJ0	02/15/00	06/15/01	100.000				
43.09		0.187435	0.193559						
0.000		3133MAT90	02/28/00	08/28/01*	100.000				
11.03*		0.190144							
0.000		3133MATC3	02/24/00	08/24/01*	100.000				
10.40*		0.196312							
0.000		3133MAUE7	02/28/00	08/28/01	100.000				
47.25		0.194372	0.203208						
0.000		3133MAWV7	03/06/00	09/06/01*	100.000				
12.63*		0.194370							
0.000		3133MAX95	03/06/00	09/06/01*	100.000				
12.66*		0.194785							
0.000		3133MAXU8	03/13/00	09/13/01*	100.000				
14.13*		0.196312							
Federal Home Loan Banks		3133MB4B0	03/27/00	09/27/01*	100.000				
0.000		0.194370							
16.72*									
0.000		3133MBF69	05/09/00	11/09/01*	100.000				
7.47*		0.196592							
0.000		3133MBPG6	07/03/00	01/03/02*	100.000				
.40*		0.198899							
0.000		3133MBPJ5	07/03/00	01/03/02*	100.000				
.39*		0.195793							
0.000		3133MBQ42	07/10/00	01/10/02*	100.000				
1.76*		0.195016							
0.000		3133MBQK6	07/10/00	01/10/02*	100.000				
1.76*		0.195793							
		3133MBQR1	07/11/00	01/11/02*	100.000				

0.000	3133MERU3	07/18/00	01/18/02*	100.000
3.33*	0.195793			
0.000	3133MBS32	07/24/00	01/24/02*	100.000
4.52*	0.196310			
0.000	3133MESP3	07/25/00	01/25/02*	100.000
4.66*	0.194238			
0.000	3133MBTE7	07/25/00	01/25/02*	100.000
4.59*	0.191255			
0.000	3133MBTN7	07/25/00	01/25/02*	100.000
4.64*	0.193199			
0.000	3133MBTY3	07/25/00	01/25/02*	100.000
4.61*	0.192160			
0.000	3133MBUC9	08/01/00	02/01/02*	100.000
5.80*	0.193199			
0.000	3133MBUP0	08/01/00	02/01/02*	100.000
5.80*	0.193199			
0.000	3133MBUX3	08/07/00	02/07/02*	100.000
6.96*	0.193460			
0.000	3133MBVC8	08/07/00	02/07/02*	100.000
7.02*	0.195016			
0.000	3133MBW29	08/08/00	02/08/02*	100.000
7.23*	0.195532			
0.000	3133MBW94	08/08/00	02/08/02*	100.000
7.23*	0.195271			
0.000	3133MBWK9	08/14/00	02/14/02*	100.000
8.25*	0.191905			
0.000	3133MBWL7	08/14/00	02/14/02*	100.000
8.27*	0.192294			
0.000	3133MBWTO	08/15/00	02/15/02*	100.000
8.43*	0.191644			
0.000	3133MBWZ6	08/15/00	02/15/02*	100.000
8.50*	0.193160			
0.000	3133MBXN2	08/21/00	02/21/02*	100.000
	0.193199			

SECTION I-B

OID per

Daily OID Per \$1,000 \$1,000 of

of Maturity Value Maturity Issue Price  
for Each Accrual Period

Annual Value for (Percent of

Stated Total Calendar Year

Interest OID to 2001 1st 2001 2nd 2001 3rd 2002 2nd 2002 3rd

Name of Issuer CUSIP No. Date Date Date  
Rate 1/1/01 Period 2002 1st Period Amount)  
2001 2002

Federal Home Loan Banks	3133MBYJ0	08/28/00	02/28/02*	100.000
0.000	0.187572			
10.88*				
0.000	3133MBYN1	08/28/00	02/28/02*	100.000
10.79*	0.186028			
0.000	3133MBYQ4	08/28/00	02/28/02*	100.000
10.83*	0.186800			
0.000	3133MBYS0	08/25/00	01/25/02*	100.000
10.51*	0.188109	0.193416		
0.000	3133MBYW1	08/28/00	02/28/02*	100.000
10.80*	0.186290			
0.000	3133MBZ59	08/28/00	02/28/02*	100.000
10.80*	0.186290			
0.000	3133MBZAB	08/28/00	02/28/02*	100.000
10.79*	0.186028			
0.000	3133MBZND	08/28/00	02/28/02*	100.000
10.83*	0.186675			
0.000	3133MBZU4	08/28/00	02/28/02*	100.000
10.83*	0.187187			

0.000	0.186415					
10.81*						
0.000	3133MC326	09/20/00	09/20/02*	100.000		
49.57*	0.187007	0.193302				
0.000	3133MC4R3	09/20/00	03/20/02*	100.000		
14.95*	0.189177					
0.000	3133MC4U6	09/14/00	03/14/02*	100.000		
13.55*	0.188259					
0.000	3133MC5A9	09/22/00	03/22/02*	100.000		
15.27*	0.188527					
0.000	3133MCAH8	10/11/00	04/11/02*	100.000		
1.85*	0.184890					
0.000	3133MCAT2	10/12/00	04/12/02*	100.000		
18.73*	0.185405					
0.000	3133MCAJ3	10/17/00	10/17/02*	100.000		
2.99*	0.186759					
0.000	3133MCC78	10/23/00	10/23/02*	100.000		
4.10*	0.186507					
0.000	3133MCC86	10/23/00	01/23/02*	100.000		
4.05*	0.183965					
0.000	3133MCCP8	10/25/00	04/25/02*	100.000		
20.87*	0.183066					
0.000	3133MCC70	10/25/00	04/25/02*	100.000		
20.84*	0.182805					
0.000	3133MCCY9	10/25/00	04/25/02*	100.000		
20.99*	0.184105					
0.000	3133MCD36	10/16/00	04/16/02*	100.000		
19.47*	0.185405					
0.000	3133MCB68	11/08/00	02/15/02	92.371		
60.16	0.162678	0.165460	0.170706			
0.000	3133MCEM3	10/30/00	04/30/02*	100.000		
21.34*	0.179327					
0.000	3133MCF83	10/27/00	04/27/10	79.882		
52.25	0.141261	0.145758	0.150397	0.100543	0.103744	
						42.18

22.99*		3133MCGW9	11/14/00	05/14/02*	90.638
0.000	7.88	0.167722			
7.21*					
0.000		3133MCHK4	11/28/00	05/28/02*	100.000
10.42*		0.182807			
0.000		3133MCHL2	11/29/00	05/29/02*	100.000
26.55*		0.179416			
0.000		3133MCHQ1	11/21/00	05/21/02*	100.000
25.74*		0.183844			
0.000		3133MCJX4	11/21/00	05/21/02	100.000
63.75	25.78	0.173157	0.178555	0.184120	
0.000		3133MCPB5	12/20/00	02/15/02	93.469
56.57	1.70	0.154156	0.155556	0.160174	
0.000	7.05				
0.000		3133MCUN3	01/23/01	07/23/02*	100.000
26.37*		0.146516			
0.000		3133MCX91	01/19/01	12/14/04	80.920
42.86	47.48	0.123562	0.126303	0.129775	0.133342
					0.137007

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SECTION I-B

OID per

Daily OID Per \$1,000 \$1,000 of

of Maturity Value	Maturity	Issue Price
Annual Value for	for Each Accrual Period	(Percent of

Stated Total Calendar Year

Interest OID to 2001 1st 2001 2nd 2001 3rd 2002 2nd 2002 3rd

Name of Issuer	CUSIP No.	Date	Date	Amount
Rate 1/1/01	Period	Period	Period	Period
2001	2002	2001	2002	2002

12.96*	3133MDCY7	03/05/01	09/05/02*	100.000
0.000	0.146564			
13.19*	3133MDG31	03/05/01	09/05/02*	100.000
0.000	0.142164			
12.79*	3133MDGG2	03/01/01	08/30/02*	100.000
0.000	0.138017			
12.70*	3133MDLS0	03/12/01	09/12/02*	100.000
0.000	0.141636			
12.75*	3133MDMB6	03/19/01	09/19/02*	100.000
0.000	0.142428			
12.82*	3133MDQD8	03/19/01	09/19/02*	100.000
0.000	0.137142			
12.34*	3133MDSF1	03/19/01	06/19/02*	100.000
0.000	0.137132			
12.34*				
Federal Home Loan Banks	3133MEA24	04/09/01	10/09/02	100.000
0.000	0.123883	0.126646	0.129470	
32.68	35.72			
0.000	3133MECB5	04/09/01	10/09/02*	100.000
11.54*	0.128266			
0.000	3133MEG21	04/25/01	10/25/02*	100.000
11.72*	0.130255			
0.000	3133MEJX0	04/25/01	10/25/02*	100.000
12.08*	0.134231			
0.000	3133MEV81	05/21/01	08/21/02*	100.000
11.05*	0.122810			
0.000	3133MEN45	05/21/01	11/21/02*	100.000
11.01*	0.122288			
0.000	3133MEJ55	05/21/01	11/21/02	100.000
26.42	0.119627	0.122203	0.124835	
0.000	3133MEZ22	05/15/01	11/15/02*	100.000
10.77*	0.119628			
0.000	3133MEZ18	05/22/01	11/22/02*	100.000
11.01*	0.122288			
Federal Home Loan Banks	3133MF3B2	05/21/01	11/21/02	100.000

0.000	3133MPUS5	06/26/01	07/19/02	100.000
19.86	0.107110	0.107374	0.109444	
21.63				
0.000	3133MPUX4	06/25/01	07/22/02	100.000
19.97	0.107082	0.107391	0.109461	
21.96				
0.000	3133MPVK1	07/16/01	01/16/03	100.000
18.86	0.114298	0.116650	0.119050	
42.35				
0.000	3133MPWC8	07/11/01	10/11/02*	100.000
9.96*	0.110721			
Federal Home Loan Banks				
0.000	3133MG3F1	07/17/01	01/17/03	100.000
19.53	0.119095	0.121648	0.124256	
44.18				
0.000	3133MGC38	07/26/01	08/26/02	100.000
17.14	0.110315	0.110680	0.112878	
26.41				
0.000	3133MGC87	07/26/01	08/26/02	100.000
17.10	0.110042	0.110405	0.112592	
26.34				
0.000	3133MGD78	08/06/01	09/06/02	100.000
15.96	0.109772	0.110133	0.112309	
27.37				
0.000	3133MGE93	08/06/01	09/06/02	100.000
15.88	0.109228	0.109586	0.111741	
27.24				
0.000	3133MGE6	08/07/01	02/07/03	100.000
16.84	0.116964	0.119427	0.121941	
43.27				
0.000	3133MGF35	08/06/01	09/06/02	100.000
16.04	0.110315	0.110680	0.112878	
27.51				
0.000	3133MGF92	08/01/01	11/01/02	100.000
17.24	0.114491	0.115671	0.118055	
35.13				
0.000	3133MGPCS	08/01/01	11/01/02	100.000
16.98	0.112742	0.113886	0.116197	
34.58				
0.000	3133MGHR0	08/08/01	11/08/02	100.000
15.95	0.111128	0.112239	0.114484	
34.86				
0.000	3133MGKF2	08/16/01	08/16/21	23.836
6.53	0.048334	0.050098	0.051926	
18.20				
0.000	3133MGKK1	08/06/01	08/06/21	24.090
7.03	0.048481	0.050237	0.052057	
18.29				
0.000	3133MGLS3	08/02/01	08/02/21	23.606
	0.048197	0.049968	0.051805	

OID per

Daily OID Per \$1,000

\$1,000 of

of Maturity Value

Maturity

Issue Price

for Each Accrual Period

Annual

Value for

(Percent of

Stated Total

Calendar Year

Interest OID to 2001 1st 2001 2nd 2001 3rd 2002 1st 2002 2nd 2002 3rd

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Name of Issuer CUSIP No. Date Date Date Date Date Date

Rate 1/1/01 Period 2002 1st Period 2002 2nd Period 2002 3rd

2001 2002

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0.000	55.76	3134A12M9	01/26/98	01/26/18	23.836
21.86	23.49	0.057822	0.059933	0.062120	0.064388
0.000	38.00	3134A12V1	02/02/98	02/02/23	15.871
15.03	16.18	0.039746	0.041237	0.042783	0.044388
0.000	86.52	3134A1B03	09/25/96	06/01/16	23.214
24.54	26.43	0.066483	0.068995	0.071603	0.074309
0.000	84.00	3134A1CTS	10/21/96	09/15/16	23.550
24.08	25.89	0.064271	0.066648	0.069114	0.071671
0.000	87.58	3134A1DL1	11/01/96	02/01/16	25.038
25.20	27.08	0.066718	0.069161	0.071693	0.074319
0.000	42.66	3134A1E97	10/28/97	10/28/22	16.715
15.56	16.72	0.041924	0.043451	0.045034	0.046674
0.000	61.29	3134A1F21	10/09/97	10/09/17*	22.496
16.92*		0.059402	0.061659		
0.000	41.66	3134A1F47	11/03/97	11/03/22	15.909
15.32	16.49	0.041269	0.042815	0.044418	0.046081
0.000	68.10	3134A1FK1	11/20/96	09/03/19	20.641
19.68	21.09	0.052511	0.054361	0.056276	0.058258
0.000	40.12	3134A1H60	10/22/97	06/03/24	16.813
14.43	15.43	0.039201	0.040536	0.041917	0.043345
0.000	86.39	3134A1HH6	12/23/96	12/01/15	26.483
25.52	27.38	0.069243	0.071715	0.074275	0.076927
0.000	64.80	3134A1HU7	12/27/96	12/02/19	19.720
19.22	20.63	0.052147	0.054026	0.055973	0.057990
0.000	92.38	3134A1JD3	12/31/96	12/01/14	28.804
27.36	29.33	0.074245	0.076869	0.079585	0.082397
0.000	39.75	3134A1LJ2	11/10/97	11/10/22	14.414
14.81	16.01	0.039907	0.041483	0.043122	0.044825
0.000	196.19	3134A1MS6	02/12/97	08/15/02	70.672
58.73	38.36	0.156773	0.161792	0.166971	0.172315
0.000	95.29	3134A1MX5	02/12/97	02/01/14	30.030
29.06	31.20	0.076979	0.079757	0.082634	0.085616
0.000	61.91	3134A1MY3	02/12/97	02/01/20	19.238
		0.050082	0.051912	0.053808	0.055774

0.000	135.40	0.122415							
3.55*									
			3134A1X39	12/11/97	06/01/15	33.207			
0.000	70.64	0.071324	0.073610	0.075969	0.078403	0.080916			
26.23	27.94								
			3134A1X54	12/15/97	12/15/17	22.280			
0.000	57.23	0.059305	0.061574	0.063929	0.066374	0.068913			
21.83	23.53								
			3134A1XP0	08/08/97	08/08/17*	20.511			
0.000	63.37	0.058384							
2.16*									
			3134A1Y07	08/26/97	08/26/22	13.652			
0.000	41.74	0.039133	0.040723	0.042377	0.044099	0.045891			
14.78	16.00								
			3134A1Z37	12/29/97	12/29/17	22.758			
0.000	56.70	0.059515	0.061759	0.064087	0.066503	0.069010			
21.84	23.52								
			3134A1Z45	01/12/98	01/12/18	23.067			
0.000	56.13	0.057495	0.059643	0.061870	0.064181	0.066578			
21.82	23.48								

\* Called in 2001; reportable OID is computed to call date.

SECTION I-B

OID per

Daily OID Per \$1,000

\$1,000 of

of Maturity Value

Maturity

for Each Accrual Period

Issue Price

Annual Value for

(Percent of

Stated Calendar Year

Interest Rate 2001

OID to 1/1/01 2002

Name of Issuer

Rate 1/1/01 2002

2001 1st

2001 2nd

2001 3rd

2002 1st

2002 2nd

2002 3rd

Issue

Date

2001 3rd

2002 2nd

2002 3rd

Maturity

Date

2001 3rd

2002 2nd

2002 3rd

Principal

Amount)

Period

Period

Period

Federal Home Loan Mortgage Corporation

3134A24G0

02/22/99

02/22/29

12.693

0.000	70.84	3134A2FD5	05/13/98	05/13/13*	35.473
26.21*		0.082332	0.085227		
0.000	24.84	3134A2FB3	06/02/98	06/02/28	12.879
10.86	11.63	0.029494	0.030519	0.031580	0.032677
0.000	24.39	3134A2FR4	06/09/98	06/09/28	12.602
10.75	11.52	0.029224	0.030251	0.031313	0.032413
0.000	22.97	3134A2G77	12/28/98	11/15/28	20.230
12.37	13.05	0.033681	0.034594	0.035531	0.036494
0.000	24.69	3134A2GC6	06/05/98	06/05/28	12.804
10.83	11.60	0.029422	0.030447	0.031508	0.032606
0.000	24.40	3134A2GJ1	06/12/98	06/12/28	12.712
10.78	11.55	0.029332	0.030358	0.031420	0.032519
0.000	60.51	3134A2HFB	06/30/98	11/24/14	38.078
26.76	28.38	0.072788	0.074963	0.077202	0.079508
0.000	31.58	3134A2HG6	06/30/98	12/11/25	19.896
13.97	14.81	0.038104	0.039242	0.040413	0.041619
0.000	22.13	3134A2MA3	08/03/98	08/03/28	11.806
10.35	11.11	0.027416	0.028410	0.029440	0.030507
0.000	22.13	3134A2MH8	08/03/98	08/03/28	11.806
10.35	11.11	0.027416	0.028410	0.029440	0.030507
0.000	59.76	3134A2NQ7	07/30/98	08/15/14	37.992
27.34	29.04	0.073111	0.075350	0.077657	0.080035
0.000	45.76	3134A2NW4	07/30/98	07/30/18	25.230
21.25	22.76	0.056347	0.058320	0.060363	0.062478
0.000	23.06	3134A2QA9	09/08/98	09/08/28	14.152
11.08	11.83	0.029670	0.030653	0.031668	0.032717
0.000	20.98	3134A2QF8	09/15/98	09/15/28	11.806
10.26	11.02	0.027416	0.028410	0.029440	0.030507
0.000	22.71	3134A2QP6	09/18/98	09/18/28	14.078
11.04	11.79	0.029606	0.030589	0.031605	0.032655
0.000	20.90	3134A2QT8	09/18/98	09/18/28	11.806
10.26	11.01	0.027416	0.028410	0.029440	0.030507
0.000	21.16	3134A2SQ4	10/05/98	10/05/28	12.693
		0.028322	0.029314	0.030340	0.031402

0.000	19.58	0.028322	0.029314	0.030340	0.031402	0.032501
10.43	11.18					
Federal Home Loan						
Mortgage Corporation 3134A3AB6 03/15/99 03/15/29 12.693						
0.000	16.70	0.027365	0.028322	0.029314	0.030340	0.031402
10.23	10.96					
3134A3D29 09/09/99 08/15/27 14.928						
0.000	13.97	0.030605	0.031665	0.032762	0.033896	0.035070
11.50	12.31					
3134A3GY6 04/05/99 04/05/29 12.693						
0.000	16.15	0.027365	0.028322	0.029314	0.030340	0.031402
10.19	10.92					
3134A3LC8 04/26/99 04/26/29 12.510						
0.000	15.47	0.027183	0.028141	0.029133	0.030160	0.031223
10.09	10.81					
3134A3LX2 05/03/99 05/03/29 12.153						
0.000	15.06	0.026820	0.027779	0.028772	0.029801	0.030866
9.94	10.66					
3134A3WP7 07/06/99 07/06/29 9.506						
0.000	11.76	0.022848	0.023762	0.024713	0.025701	0.026729
8.72	9.43					
3134A3ZJ8 09/14/99 09/14/29 12.656						
0.000	11.85	0.026403	0.027328	0.028286	0.029277	0.030304
9.87	10.58					
3134A3ZU3 08/02/99 12/14/29 15.469						
0.000	14.06	0.029170	0.030080	0.031019	0.031987	0.032985
10.70	11.37					
Federal National						
Mortgage Association 31359MEL3 01/29/99 06/01/17 34.790						
0.000	40.77	0.062751	0.064583	0.066469	0.068411	0.070408
23.03	24.40					
Federal National						
Mortgage Association 31364CJD1 08/13/96 08/11/06 97.000						
6.830	10.60	0.007738	0.008019	0.008310	0.008611	0.008924
2.92	3.13					
31364CW53 07/02/97 07/02/12* 30.832						
0.000	97.32	0.086694				
.09*						
31364CW61 06/27/97 06/28/12* 30.825						
0.000	97.75	0.090161				
15.96*						

\* Called in 2001; reportable OID is computed to call date.

SECTION I-B

OID per

Name of Issuer	Rate	1/1/01	2001	2002	Period	CUSIP No.	Period	Date	2002 1st	Date	Period	Amount)	Period
Federal National Mortgage Association	0.000	64.89	0.058454	0.060806	31364CW79	07/14/97	07/13/17*	20.634					
	11.65*												
	0.000	96.71	0.086694		31364CX45	07/09/97	07/09/12*	30.832					
	.69*												
	0.000	188.91	0.165572	0.170825	31364C235	07/02/97	08/15/01	77.306					
38.03													
Federal National Mortgage Association	0.000	44.74	0.056286	0.058267	31364P2Q3	08/17/98	08/17/18	25.063					
	21.16	22.68				0.060318	0.062441	0.064639					
	0.000	44.64	0.056356	0.058329	31364P3C3	08/20/98	08/20/18	25.257					
	21.17	22.68				0.060370	0.062483	0.064670					
	0.000	55.76	0.057822	0.059933	31364PWX3	01/26/98	01/26/18	23.836					
	21.86	23.49				0.062120	0.064388	0.066738					
	0.000	129.22	0.150179	0.154474	31364P21	06/15/98	08/15/01	83.637					
	34.41												
	0.000	76.96	0.082279	0.085158	31364P2M7	02/04/98	02/04/13	35.628					
	31.00	33.21				0.088139	0.091224	0.094416					
	0.000	47.63	0.058087	0.060164	31364PQ61	06/22/98	06/22/18	24.535					
	21.32	22.88				0.062314	0.064542	0.066850					
	0.000	51.98	0.057435	0.059589	31364PVA6	03/23/98	03/23/18	22.934					
	21.49	23.14				0.061823	0.064142	0.066547					
	0.000	50.14	0.058001	0.060089	31364PZL8	05/07/98	05/07/18	24.300					
	21.49	23.06				0.062253	0.064494	0.066816					
Federal National Mortgage Association	0.000	24.11	0.050064	0.052066	31364G4A4	08/09/99	08/09/19*	20.829					
	11.27*												
	0.000	35.01	0.074106		31364G4M8	08/18/99	08/18/14*	30.832					
	3.48*												

0.000		0.122816	0.125537	0.128962	0.132481	0.136095
42.72	47.18					
		31364KM80	01/18/01	06/14/05		78.720
0.000		0.120355	0.123047	0.126433	0.129913	0.133488
41.87	46.26					
		31364KM98	01/18/01	12/13/05		76.438
0.000		0.117941	0.120585	0.123934	0.127377	0.130914
41.04	45.36					
		31364KSS0	08/17/00	08/17/12		60.070
2.000	8.13	0.060640	0.062751	0.064936	0.067197	0.069537
22.79	24.40					
		31364KTK6	08/17/00	06/25/04		87.429
0.000		0.139368	0.122772	0.105622	0.087898	0.069583
46.98	34.62					
		Federal National				
		Mortgage Association	3136F0PV8	06/21/01	06/13/06	77.295
0.000		0.112527	0.115347	0.118370	0.121471	
21.43	42.18					
		Financial Trustco				
		Capital Ltd.	317904AB6	11/05/85	01/15/01	95.125
13.950	48.46	0.020574				
		Fisher Foods, Inc.	337819AB2	07/21/86	12/30/01	73.125
9.750	230.05	0.103268	0.109922			
38.70						
		Focal Communications	344155AA4	02/18/98	02/15/08	55.565
		VARIABLES	0.250939	0.266152	0.282287	0.299401
97.34	109.50					0.317552
		VARIABLES	344155AB2	02/18/98	02/15/08	55.565
97.34	109.50	0.250939	0.266152	0.282287	0.299401	0.317552
		VARIABLES	344155AC0	02/18/98	02/15/08	55.565
97.34	109.50	0.250939	0.266152	0.282287	0.299401	0.317552
		Ford Motor Company	345343206	12/21/95	12/01/02	110.022
9.000		0.205207	0.203607	0.201950	0.200234	
73.49	66.33					
		Fremont General				
		Financing I	356905208	03/06/96	03/31/26	100.000
9.000		0.247253	0.245902	0.247253	0.245902	0.247253
90.00	90.00					
		Pruehauf Trailer Corp.	359397AA4	07/31/95	04/30/02	93.107
14.750	49.05	0.037879	0.041000	0.044378		
14.59	5.28					
		GST USA, Inc.	36228XAB3	12/19/95	12/15/05	51.209
VARIABLES		0.385409	0.385408	0.385408	0.385407	0.385406
138.75	138.75					
		General Electric Capital				
		Corporation	36962FTD8	04/13/94	04/01/04	99.850
VARIABLES		0.208705	0.208117	0.207506	0.206874	0.206218



23.92	25.90								
Geotek Communications		373654AD4	07/06/95	07/15/05	34.209				
VARIES		0.464506	0.469131	0.474202	0.479764	0.485863			
169.66	173.65								
		373654AP9	07/06/95	07/15/05	34.209				
VARIES		0.464506	0.469131	0.474202	0.479764	0.485863			
169.66	173.65								
		373654AG7	07/06/95	07/15/05	34.209				
VARIES		0.464506	0.469131	0.474202	0.479764	0.485863			
169.66	173.65								
		379352AM9	06/23/00	06/23/20	49.960				
Global Marine, Inc.		0.049422	0.050287	0.051167	0.052063	0.052974			
0.000	9.14								
17.96	18.60								
		379352AN7	06/23/00	06/23/20	49.960				
0.000	9.14								
17.96	18.60								
		379432AA5	08/06/98	08/01/09	49.672				
Globe Holdings, Inc.		0.259362	0.277893	0.297747	0.319021	0.341814			
VARIES									
102.46	117.63								
		379432AB3	08/06/98	08/01/09	49.672				
VARIES		0.259362	0.277893	0.297747	0.319021	0.341814			
102.46	117.63								
		379432AC1	08/06/98	08/01/09	49.672				
VARIES		0.259362	0.277893	0.297747	0.319021	0.341814			
102.46	117.63								
		379432AD9	08/06/98	08/01/09	49.672				
VARIES		0.259362	0.277893	0.297747	0.319021	0.341814			
102.46	117.63								
		379432AE7	08/06/98	08/01/09	49.672				
VARIES		0.259362	0.277893	0.297747	0.319021	0.341814			
102.46	117.63								
		379432AF4	08/06/98	08/01/09	49.672				
VARIES		0.259362	0.277893	0.297747	0.319021	0.341814			
102.46	117.63								
		38141GAB0	07/01/99	07/01/06	100.000				
Goldman Sachs Group		0.211527	0.217033	0.222733	0.228635				
2.000									
77.14	81.25								
		38141GAC8	10/06/99	10/06/02	100.000				
0.000		0.205119	0.212195	0.219516	0.227089				
76.34	61.73								
		38141GAE4	11/23/99	11/23/03	99.500				
0.000		0.209149	0.216532	0.224176	0.232089	0.240282			
77.19	82.74								
		38141GAF1	12/02/99	12/02/03	99.500				
0.000		0.208517	0.215857	0.223455	0.231320	0.239463			
76.82	82.32								
		38141GAG9	12/17/99	06/17/05	99.500				
0.000		0.214855	0.222633	0.230692	0.239043	0.247696			
78.97	84.79								
		38141GAH7	12/06/99	12/06/04	100.000				

1.000	38141GAP9	05/25/00	05/25/07	99.000
88.63	0.239921	0.248845	0.258144	0.267834 0.277932
VARIES	38141GAR5	06/08/01	11/01/05	91.445
30.35	0.148602	0.151733	0.155968	0.160327
VARIES	38141GAS3	07/25/01	10/26/07	90.813
24.13	0.153880	0.155825	0.160154	0.164615
0.750	38141GAT1	11/01/00	11/01/05	100.000
73.84	0.199722	0.206153	0.212815	0.219717 0.226867
0.250	38141GAU8	11/07/00	11/07/05	100.000
75.73	0.204500	0.211772	0.219311	0.227129 0.235234
1.000	38141GAV6	12/12/00	12/12/07	100.000
64.07	0.175139	0.179785	0.184577	0.189520 0.194619
0.250	38141GAX2	01/12/01	01/12/08	100.000
65.97	0.186111	0.192113	0.198316	0.204727
0.250	38141GAY0	01/16/01	01/16/08	100.000
67.47	0.192500	0.198929	0.205582	0.212464

SECTION I-B

OID per

Daily OID Per \$1,000

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Issue Price

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(Percent of

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Stated Total Calendar Year

Interest OID to 2001 1st 2001 2nd 2001 3rd 2002 2nd 2002 3rd

Name of Issuer 1/1/01 2001

Rate 1/1/01 2002

Period 2001 1st 2002 1st 2002 2nd 2002 3rd

Amount) Period

30.98	67.49								
0.000		38141GBG8	08/29/01	10/29/06	100.000				
19.15	58.11		0.156194	0.157658	0.162090	0.166647			
3.500		38141GBH6	09/04/01	09/04/08	100.000				
20.59	64.39		0.175972	0.178457	0.181040				
Graham Packaging Holdings, Inc.									
VARIES		384703AB0	02/02/98	01/15/09	59.534				
89.19	99.04		0.224850	0.249675	0.267458	0.277241			
Great Lakes Carbon Corp.									
VARIES		390559AC6	05/22/98	05/15/09	53.092				
100.30	113.90		0.265320	0.282731	0.301284	0.321054	0.342122		
VARIES									
96.37	96.37	390559AE2	05/22/98	05/15/08	100.000				
HCA-Hospital Corporation of America			0.284722	0.284722	0.284722	0.284722	0.284722		
17.500	176.75								
176.48	176.75	404120AA5	04/01/91	07/01/05	101.750				
Hallwood Group, Inc.			0.490037	0.490767	0.491182				
10.000	21.29								
11.02	12.36	406364AH2	08/31/98	07/31/05	91.625				
Harrisburg, PA			0.028255	0.029923	0.031689	0.033559	0.035540		
0.000	258.91								
14.98		414738NG5	12/28/95	04/01/01	72.611				
0.000	243.94		0.166466						
58.24	15.01	414738NH3	12/28/95	04/01/02	68.282				
0.000	232.65		0.156878	0.161732	0.166736				
55.73	59.30	414738NJ9	12/28/95	04/01/03	63.703				
0.000	220.85		0.150033	0.154766	0.159647	0.164683	0.169877		
53.05	56.50		0.142749	0.147323	0.152044	0.156916	0.161944		
0.000	208.64	414738NK6	12/28/95	04/01/04	59.389				
50.21	53.52		0.135075	0.139450	0.143967	0.148631	0.153445		
0.000	197.72	414738NL4	12/28/95	04/01/05	55.409				
47.76	50.97		0.128385	0.132628	0.137010	0.141537	0.146214		
0.000	186.00	414738NM2	12/28/95	04/01/06	51.318				
45.00	48.05		0.120938	0.124970	0.129138	0.133444	0.137893		
0.000	174.75	414738NP5	12/28/95	04/01/08	44.423				
42.35	45.25		0.113782	0.117610	0.121567	0.125657	0.129884		
0.000	163.98	414738NQ3	12/28/95	04/01/09	41.259				
			0.106917	0.110546	0.114298	0.118178	0.122190		

0.000	125.58	0.082366	0.085269	0.088275	0.091386	0.094607
30.71	32.91					
0.000	117.10	414738NV2	12/28/95	04/01/14	27.925	
28.68	30.75	0.076903	0.079637	0.082468	0.085399	0.088435
0.000	109.17	414738NW0	12/28/95	04/01/15	25.992	
26.74	28.68	0.071715	0.074268	0.076911	0.079649	0.082484
0.000	101.66	414738NX8	12/28/95	04/01/16	24.047	
24.93	26.75	0.066844	0.069236	0.071715	0.074282	0.076941
0.000	94.68	414738NY6	12/28/95	04/01/17	22.322	
23.23	24.93	0.062279	0.064514	0.066830	0.069229	0.071714
0.000	87.95	414738NZ3	12/28/95	04/01/18	20.535	
21.62	23.21	0.057932	0.060029	0.062202	0.064453	0.066786
0.000	81.91	414738PA6	12/28/95	04/01/19	19.125	
20.13	21.62	0.053955	0.055908	0.057932	0.060029	0.062202
Harrisburg Authority, PA		414738MER0	10/07/99	07/15/11	41.462	
0.000	40.15	0.092977	0.096519	0.100195	0.104012	0.107974
35.31	38.05					
0.000	37.29	414738MES8	10/07/99	07/15/12	38.192	
32.81	35.37	0.086357	0.089672	0.093115	0.096690	0.100402
0.000	34.58	414738MET6	10/07/99	07/15/13	35.232	
30.44	32.84	0.080104	0.083196	0.086407	0.089741	0.093205
0.000	32.05	414738MEU3	10/07/99	07/15/14	32.476	
28.22	30.45	0.074245	0.077125	0.080117	0.083226	0.086454
0.000	29.69	414738MEV1	10/07/99	07/15/15	30.050	
26.15	28.22	0.068792	0.071465	0.074241	0.077124	0.080120
0.000	27.49	414738MEW9	10/07/99	07/15/16	27.710	
24.22	26.14	0.063695	0.066179	0.068760	0.071441	0.074227
0.000	25.47	414738MEX7	10/07/99	07/15/17	25.669	
22.43	24.22	0.059004	0.061305	0.063695	0.066179	0.068760
0.000	23.58	414738MEY5	10/07/99	07/15/18	23.735	
20.77	22.43	0.054633	0.056766	0.058983	0.061286	0.063678
0.000	21.83	414738MEZ2	10/07/99	07/15/19	21.942	
19.23	20.77	0.050576	0.052553	0.054608	0.056743	0.058961
0.000	20.20	414738MPA6	10/07/99	07/15/20	20.282	
17.80	19.22	0.046812	0.048644	0.050548	0.052527	0.054583

of Maturity Value		Maturity			Issue Price
Annual Value for	for Each Accrual Period				(Percent of
Stated Calendar Year	2001 1st	2001 2nd	2001 3rd	2002 2nd	2002 3rd
Interest	OID to	2001 1st	2001 2nd	2001 3rd	2002 2nd
Name of Issuer	CUSIP No.	Date	Date	Date	Amount)
Rate	1/1/01	Period	2002 1st	Period	Period
2001	2002	Period	2002 1st	Period	Period
2001	2002	Period	2002 1st	Period	Period
Harrisburg Authority, PA	41473MFC2	10/07/99	07/15/22	17.355	
0.000	17.31	0.040112	0.041684	0.043318	0.045016
15.26	16.47				0.046780
0.000	16.03	41473MFD0	10/07/99	07/15/23	16.071
14.13	15.26	0.037144	0.038599	0.040112	0.041685
0.000	14.84	41473MFE8	10/07/99	07/15/24	14.881
13.08	14.13	0.034394	0.035742	0.037143	0.038599
Hartford Capital I	416315208	02/28/96	03/01/16	100.000	
7.700	77.00	0.213889	0.213889	0.213889	0.213889
0.370655	0.372008	0.373453	0.374996	94.574	
Hat Brands, Inc.	43613PAA1	08/10/99	08/01/06	100.000	
VARIES	133.98	0.377815	0.378945	0.380152	0.381440
Hollywood Casino	43613PAB9	08/10/99	08/01/06	100.000	
Shreveport	136.57	0.377815	0.378945	0.380152	0.381440
VARIES	137.49	0.377815	0.378945	0.380152	0.381440
VARIES	136.57	0.377815	0.378945	0.380152	0.381440
VARIES	137.49	0.377815	0.378945	0.380152	0.381440
Horizon PCS, Inc.	44043UAA8	09/26/00	10/01/10	43.889	
VARIES	74.99	0.192802	0.208014	0.224427	0.242134
74.99	87.29				0.261239
VARIES	74.99	44043UAB6	09/26/00	10/01/10	43.889
74.99	87.29	0.192802	0.208014	0.224427	0.242134
					0.261239
		44043UAC4	09/26/00	10/01/10	43.889

Hosiery Corporation	441016AE2	10/17/94	08/01/02	97.088	
13.750	20.44	0.013328	0.014286	0.015314	0.016415
5.27	3.41				
Host Marriott Corp.	441079209	12/02/96	12/02/26	100.000	
6.750	0.187500	0.187500	0.187500	0.187500	0.187500
67.50	67.50				
6.750	0.187500	0.187500	0.187500	0.187500	0.187500
67.50	67.50				
6.750	0.187500	0.187500	0.187500	0.187500	0.187500
67.50	67.50				
Household Capital					
Trust II					
8.700	0.241667	0.241667	0.241667	0.241667	0.241667
87.00	87.00				
Household Finance Corp.	44181XXM1	11/13/97	11/13/13	100.000	
VARIES	0.165359	0.162771	0.175414	0.172554	0.175414
60.37	63.50				
ICN Pharmaceuticals	448924AG5	07/20/99	11/15/08	96.899	
8.750	3.29	0.006785	0.007099	0.007428	0.007772
2.53	2.77				
8.750	3.29	0.006785	0.007099	0.007428	0.007772
2.53	2.77				
8.750	3.29	0.006785	0.007099	0.007428	0.007772
2.53	2.77				
ICG Holdings, Inc.					
VARIES					
136.32	136.51				
VARIES					
122.45	124.87				
VARIES					
104.48	114.96				
IOG Services, Inc.					
VARIES					
83.35	91.89				
VARIES					
80.84	89.02				
IXC Communications, Inc.	450713AA0	10/05/95	10/01/05	97.245	
12.500	10.23	0.007404	0.007885	0.008398	0.008944
2.84	3.22				
12.500	10.23	0.007404	0.007885	0.008398	0.008944
2.84	3.22				
450713AC6	10/05/95	10/01/05	97.245		

VARIES	457661AB2	08/17/98	08/15/08	49.411
102.15	0.259825	0.278476	0.298466	0.319891
				0.342853
VARIES	457661AC0	08/17/98	08/15/08	49.411
102.15	0.259825	0.278476	0.298466	0.319891
				0.342853
Insignia Financing I	45766X205	11/01/96	09/30/16	100.000
6.500	0.178571	0.177596	0.178571	0.177596
65.00				0.178571
	45766X304	11/01/96	09/30/16	100.000
6.500	0.178571	0.177596	0.178571	0.177596
65.00				0.178571
	45766X403	11/01/96	09/30/16	100.000
6.500	0.178571	0.177596	0.178571	0.177596
65.00				0.178571
Intel Corporation	458140AB6	04/30/01	02/01/04	106.500
0.000		0.162607	0.164866	0.169397
39.53				0.174053
Intelcom Group USA, Inc.	45814VAB8	08/08/95	09/15/05	50.318
VARIES	0.378403	0.378637	0.378887	0.379154
136.32				0.379439

SECTION I-B

OID per

Daily OID Per \$1,000

\$1,000 of

of Maturity Value Annual Value for Maturity for Each Accrual Period Issue Price (Percent of

Stated Calendar Year	Total	Interest	OID to	2001 1st	2001 2nd	2001 3rd	2002 2nd	2002 3rd
Name of Issuer	Rate	1/1/01	2001	2002	Period	Date	Period	Amount
2001	2002	2001	2002	2001	2002	2001	2002	2002

InterCel, Inc. 45844LAA6 02/07/96 02/01/06\* 54.242  
 VARIES 0.319220 0.338963  
 60.08\*

VARIES	0.224443	0.238190	0.252778	0.268260	0.284690
86.67	97.62				
International Bank for Reconstruction	459056PS1	03/06/85	02/15/01	16.322	
0.000	823.27	0.300232			
13.51					
0.000	777.79	0.283649	0.305212	08/15/01	15.420
58.01					
0.000	734.82	0.267981	0.288352	03/06/85	02/15/02
105.98	13.51	0.300237			14.568
0.000	694.23	0.253178	0.272424	03/06/85	08/15/02
100.13	68.01	0.305216			13.763
0.000	655.88	0.239196	0.257380	03/06/85	02/15/03
94.60	105.99	0.288361	0.300247		13.002
0.000	619.65	0.225986	0.243166	03/06/85	08/15/03
89.38	100.13	0.272437	0.283667		12.283
0.000	585.41	0.213498	0.229728	03/06/85	02/15/04
84.44	94.60	0.257380	0.267989	0.288361	0.300247
0.000	553.07	0.201707	0.217041	03/06/85	08/15/04
79.77	89.38	0.243168	0.253191		10.963
0.000	522.51	0.190565	0.205052	03/06/85	02/15/05
75.37	84.44	0.229736	0.239206		10.357
0.000	493.65	0.180035	0.193722	03/06/85	08/15/05
71.20	79.77	0.217042	0.225988		9.785
0.000	467.23	0.169514	0.182315	03/06/85	02/15/06
67.00	75.00	0.204069	0.212380		9.429
0.000	441.63	0.160225	0.172325	03/06/85	08/15/06
63.33	70.89	0.192887	0.200743		8.912
0.000	417.42	0.151446	0.162882	03/06/85	02/15/07
59.86	67.00	0.182319	0.189745		8.423
0.000	394.55	0.143145	0.153954	03/06/85	08/15/07
56.58	63.33	0.172324	0.179343		7.962
0.000	374.30	0.135089	0.145222	03/06/85	02/15/08
53.36	59.67	0.162397	0.168932		7.690
0.000	353.95	0.127746	0.137328	03/06/85	08/15/08
		0.153569	0.159749		7.272

0.000	287.27	0.102324	0.109870	0.114156	0.122574	0.127356
40.36	45.03					
0.000	273.71	459056GN1	03/06/85	02/15/11		5.992
38.23	42.61	0.096974	0.104076	0.108085	0.116001	0.120469
0.000	259.26	459056GP6	03/06/85	08/15/11		5.676
36.21	40.36	0.091855	0.098582	0.102379	0.109877	0.114109
0.000	246.46	459056QQ4	03/06/85	02/15/12		5.445
34.32	38.23	0.087088	0.093444	0.097021	0.104101	0.108086
0.000	233.51	459056GR2	03/06/85	08/15/12		5.159
32.51	36.22	0.082511	0.088532	0.091921	0.098629	0.102404
0.000	223.04	459056GS0	03/06/85	02/15/13		5.019
30.87	34.36	0.078392	0.084073	0.087250	0.093573	0.097108
0.000	211.41	459056GT8	03/06/85	08/15/13		4.757
29.26	32.57	0.074306	0.079691	0.082702	0.088695	0.092047
0.000	202.20	459056GU5	03/06/85	02/15/14		4.634
27.82	30.94	0.070690	0.075777	0.078604	0.084260	0.087403
0.000	191.76	459056GV3	03/06/85	08/15/14		4.395
26.39	29.34	0.067039	0.071863	0.074543	0.079907	0.082887
0.000	184.57	459056GW1	03/06/85	02/15/15		4.349
25.17	27.95	0.064006	0.068563	0.071070	0.076130	0.078913
0.000	175.73	459056HY6	01/07/86	02/15/16		5.299
23.44	25.84	0.059803	0.063919	0.066021	0.070470	0.072787
0.000	701.30	459056HZ3	01/07/86	02/15/02		18.948
96.91	12.31	0.246665	0.264041	0.273500		
0.000	632.50	459056JA6	01/07/86	02/15/03		17.088
87.40	96.91	0.222469	0.238141	0.246672	0.264049	0.273508
0.000	570.44	459056JB4	01/07/86	02/15/04		15.412
78.82	87.40	0.200638	0.214771	0.222465	0.238136	0.246667
0.000	514.47	459056JC2	01/07/86	02/15/05		13.899
71.09	78.83	0.180955	0.193702	0.200642	0.214776	0.222470

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 \* Called in 2001; reportable OID is computed to call date.

Calendar Year		Issue		Maturity		Principal	
Interest	OID to	2001 1st	2001 2nd	2001 3rd	2002 2nd	2002 3rd	
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Name of Issuer		CUSIP No.	Date	Date	Date	Amount)	
Rate	1/1/01	Period	2002 1st	Period	Period	Period	
2001	2002						
-----							
International Bank for Reconstruction							
0.000	463.99	459056JD0	01/07/86	02/15/06	12.535		
64.12	71.09	0.163200	0.174697	0.180956	0.193704	0.200643	
0.000	418.46	459056JE8	01/07/86	02/15/07	11.305		
57.83	64.12	0.147187	0.157556	0.163201	0.174698	0.180956	
0.000	377.95	459056JF5	01/07/86	02/15/08	10.303		
52.08	57.71	0.132591	0.141898	0.146947	0.157261	0.162857	
0.000	341.03	459056JG3	01/07/86	02/15/09	9.297		
46.99	52.08	0.119637	0.128035	0.132590	0.141897	0.146945	
0.000	307.71	459056JH1	01/07/86	02/15/10	8.388		
42.40	46.99	0.107950	0.115527	0.119638	0.128036	0.132591	
0.000	277.65	459056JJ7	01/07/86	02/15/11	7.569		
38.26	42.40	0.097404	0.104241	0.107950	0.115527	0.119638	
0.000	251.36	459056JK4	01/07/86	02/15/12	6.915		
34.53	38.25	0.087951	0.094102	0.097427	0.104241	0.107924	
0.000	227.77	459056JL2	01/07/86	02/15/13	6.323		
31.20	34.55	0.079489	0.085028	0.088012	0.094145	0.097448	
0.000	207.46	459056JM0	01/07/86	02/15/14	5.865		
28.25	31.25	0.072022	0.077005	0.079669	0.085180	0.088127	
0.000	191.08	459056JN8	01/07/86	02/15/15	5.604		
25.72	28.39	0.065637	0.070111	0.072468	0.077407	0.080009	
International Cabletel Inc.							
		459216AD9	04/20/95	04/15/05	53.995		
		0.350258	0.348343	0.350256	0.348341	0.350254	
		127.49	127.49				
International Minerals & Chemicals Corporation							
0.000	419.18	459884AH5	11/14/88	11/14/05	26.355		
55.71	60.26	0.149297	0.152737	0.161479	0.165200	0.174656	





4.000		0.264939	0.271914	0.279206	0.286828	0.294796
97.29	102.60					
3.750		530715AK7	02/10/00	02/15/30	100.000	
100.63	106.72	0.269595	0.277395	0.285563	0.294115	0.303071
3.750		530715AL5	02/10/00	02/15/30	100.000	
100.63	106.72	0.269595	0.277395	0.285563	0.294115	0.303071
3.500		530715AM3	01/11/01	01/15/31	100.000	
93.74	102.23	0.263885	0.264061	0.271986	0.280287	0.288982
3.500		530715AN1	01/11/01	01/15/31	100.000	
93.74	102.23	0.263885	0.264061	0.271986	0.280287	0.288982
3.250		530715AP6	03/08/01	03/15/31	100.000	
85.60	111.84	0.288047	0.288446	0.298721	0.309528	0.320896
3.250		530715AQ4	03/08/01	03/15/31	100.000	
85.60	111.84	0.288047	0.288446	0.298721	0.309528	0.320896
3.250		530715AR2	03/08/01	03/15/31	100.000	
85.60	111.84	0.288047	0.288446	0.298721	0.309528	0.320896
		M&I Marshall & Ilsley				
0.000		Bank				
63.03		5525V0AC0	11/28/00	12/03/01	100.000	
		0.186472	0.192725			
		MCI Communications Corp.	05/29/96	06/30/26	100.000	
8.000		55267Y206	05/29/96	06/30/26	100.000	
80.00	80.00	0.222222	0.222222	0.222222	0.222222	0.222222
		MHS Holdings Corporation	09/22/89	10/01/04	14.000	
235.33	266.04	553024AA8	09/22/89	10/01/04	14.000	
0.000		VARIES	0.620386	0.652048	0.690322	0.736587
		Masco Corporation	07/20/01	07/20/31	39.445	
5.51	12.60	574599AW6	07/20/01	07/20/31	39.445	
		0.034240	0.034240	0.034775	0.035319	
		McCaw International LTD.	03/06/97	04/15/07	50.991	
115.41	129.50	579472AA9	03/06/97	04/15/07	50.991	
		VARIES	0.301713	0.343353	0.366281	0.366626
		0.301713	0.321861	0.343353	0.366281	0.366626
		579472AB7	03/06/97	04/15/07	50.991	
		VARIES	0.301713	0.343353	0.366281	0.366626
		0.301713	0.321861	0.343353	0.366281	0.366626
		579472AC5	03/06/97	04/15/07	50.991	
		VARIES	0.301713	0.343353	0.366281	0.366626
		0.301713	0.321861	0.343353	0.366281	0.366626
		579472AD3	03/06/97	04/15/07	50.991	
		VARIES	0.301713	0.343353	0.366281	0.366626
		0.301713	0.321861	0.343353	0.366281	0.366626
		579472AE1	03/06/97	04/15/07	50.991	
		VARIES	0.301713	0.343353	0.366281	0.366626
		0.301713	0.321861	0.343353	0.366281	0.366626

0.000	334.85	587844D99	10/21/93	10/15/01	61.896
46.19	0.159561	0.164428			
0.000	344.89	587844E23	10/21/93	10/15/01	60.710
48.00	0.165695	0.170956			
0.000	330.58	587844E31	10/21/93	04/15/02	59.327
58.64	0.158301	0.163248	0.168350		
0.000	339.78	587844E49	10/21/93	04/15/02	58.120
60.84	0.164036	0.169367	0.174872		
0.000	322.28	587844E56	10/21/93	10/15/02	57.280
57.28	0.154579	0.159448	0.164470	0.169651	

\* Called in 2001; reportable OID is computed to call date.

SECTION I-B

OID per	Daily OID Per \$1,000	\$1,000 of
of Maturity Value	Maturity	Issue Price
Annual Value for	for Each Accrual Period	(Percent of
Stated Calendar Year	Total	-----
Interest Rate 2001	OID to 2001 1st Period	Issue Maturity Principal
Rate 2002	2001 2nd Period	2001 3rd Period
	2001 3rd Period	2002 2nd Period
	2002 1st Period	2002 3rd Period
		Amount)

Mercer County	Improvement Authority	587844E64	10/21/93	10/15/02	56.047
0.000	330.75	0.159936	0.165174	0.170584	0.176170
59.33	49.45				
0.000	315.61	587844E72	10/21/93	04/15/03	55.022
56.30	59.96	0.151872	0.156732	0.161747	0.166923

54.19	57.83								
0.000	307.85	587844F48	10/21/93	04/15/04	49.357				
55.84	59.73	0.150315	0.155464	0.160788	0.166295	0.171991			
0.000	293.10	587844F55	10/21/93	10/15/04	48.747				
52.77	56.34	0.142192	0.146920	0.151805	0.156852	0.162068			
0.000	298.76	587844F63	10/21/93	10/15/04	47.470				
54.29	58.10	0.146115	0.151156	0.156371	0.161766	0.167346			
0.000	285.75	587844F71	10/21/93	04/15/05	46.657				
51.64	55.18	0.139079	0.143773	0.148625	0.153641	0.158826			
0.000	290.78	587844F89	10/21/93	04/15/05	45.380				
53.03	56.81	0.142669	0.147663	0.152831	0.158180	0.163716			
0.000	277.35	587844F97	10/21/93	10/15/05	44.873				
50.21	53.69	0.135207	0.139804	0.144557	0.149472	0.154554			
0.000	281.81	587844G21	10/21/93	10/15/05	43.592				
51.49	55.19	0.138495	0.143377	0.148431	0.153663	0.159080			
0.000	270.66	587844G39	10/21/93	04/15/06	42.619				
49.27	52.76	0.132584	0.137191	0.141958	0.146891	0.151996			
0.000	274.47	587844G47	10/21/93	04/15/06	41.354				
50.43	54.12	0.135540	0.140419	0.145474	0.150711	0.156137			
0.000	262.26	587844G54	10/21/93	10/15/06	40.930				
47.83	51.24	0.128680	0.133184	0.137845	0.142670	0.147663			
0.000	265.58	587844G62	10/21/93	10/15/06	39.667				
48.88	52.49	0.131359	0.136121	0.141055	0.146169	0.151467			
0.000	254.00	587844G70	10/21/93	04/15/07	39.289				
46.41	49.74	0.124824	0.129224	0.133779	0.138495	0.143377			
0.000	256.84	587844G88	10/21/93	04/15/07	38.031				
47.36	50.88	0.127239	0.131883	0.136697	0.141686	0.146858			
0.000	245.86	587844G96	10/21/93	10/15/07	37.696				
45.00	48.26	0.121019	0.125315	0.129764	0.134370	0.139141			
0.000	248.25	587844H20	10/21/93	10/15/07	36.445				
45.86	49.29	0.123183	0.127710	0.132403	0.137269	0.142313			
0.000	237.85	587844H38	10/21/93	04/15/08	36.150				
43.62	46.79	0.117268	0.121460	0.125802	0.130300	0.134958			
		587844H46	10/21/93	04/15/08	34.666				

0.000	223.89	587844H87	10/21/93	04/15/09	31.508
41.74	44.97	0.111983	0.116239	0.120656	0.125240
0.000	214.69	587844H95	10/21/93	10/15/09	31.790
39.59	42.53	0.106359	0.110241	0.114265	0.118435
0.000	215.69	587844J28	10/21/93	10/15/09	30.354
40.21	43.33	0.107884	0.111984	0.116239	0.120656
0.000	207.39	587844J36	10/21/93	04/15/10	30.187
38.38	41.27	0.103070	0.106884	0.110838	0.114939
0.000	207.95	587844J44	10/21/93	04/15/10	28.782
38.91	41.96	0.104343	0.108361	0.112532	0.116865
0.000	199.99	587844J51	10/21/93	10/15/10	29.110
37.01	39.80	0.099392	0.103070	0.106884	0.110838
0.000	200.24	587844J69	10/21/93	10/15/10	27.715
37.47	40.41	0.100475	0.104343	0.108361	0.112532
0.000	192.87	587844J77	10/21/93	04/15/11	27.836
35.76	38.47	0.096006	0.099583	0.103292	0.107139
0.000	192.78	587844J85	10/21/93	04/15/11	26.464
36.14	38.99	0.096887	0.100642	0.104542	0.108593
0.000	185.90	587844J93	10/21/93	10/15/11	26.604
34.53	37.17	0.092688	0.096163	0.099769	0.103511
0.000	185.51	587844K26	10/21/93	10/15/11	25.257
34.84	37.61	0.093379	0.097021	0.100805	0.104736
0.000	179.18	587844K34	10/21/93	04/15/12	25.643
33.28	35.83	0.089337	0.092687	0.096163	0.099769
0.000	178.54	587844K42	10/21/93	04/15/12	24.309
33.53	36.19	0.089874	0.093379	0.097021	0.100805
0.000	172.58	587844K59	10/21/93	10/15/12	24.491
32.12	34.59	0.086182	0.089436	0.092812	0.096315
0.000	171.67	587844K67	10/21/93	10/15/12	23.184
32.30	34.88	0.086554	0.089951	0.093482	0.097151
0.000	166.30	587844K75	10/21/93	04/15/13	23.600
30.95	33.33	0.083047	0.086182	0.089436	0.092812

(Percent of

Stated Calendar Year	Total	Interest	OID to	2001 1st Period	2001 2nd Period	2001 3rd Period	2002 1st Period	2002 2nd Period	2002 3rd Period	(Percent of
-----										
Name of Issuer										
Rate	1/1/01	2001	2002	Period	CUSIP No.	Date	2002 1st Period	2002 2nd Period	2002 3rd Period	Principal Amount)
-----										
Mercer County										
Improvement Authority 587844K83 10/21/93 04/15/13 22.308										
0.000	165.19	0.083285	0.086554	0.089951	0.093482	0.097151				
31.08	33.57									
0.000	160.25	0.080026	0.083047	0.086183	0.089436	0.092812				
29.82	32.12									
0.000	158.95	0.080139	0.083285	0.086554	0.089951	0.093482				
29.90	32.30									
Merrill Lynch & Co., Inc. 590188231 10/30/96 10/31/01 100.000										
0.000		0.238162	0.246034							
72.63										
0.000		0.199052	0.202861	0.213654	0.217742	0.229326				
74.96	80.46									
0.000		0.205094	0.216319	0.220822	0.232953	0.237803				
79.27	85.36									
0.000		0.205094	0.216319	0.220822	0.232953	0.237803				
79.27	85.36									
0.000		0.221800	0.229160	0.239373	0.247315	0.258337				
82.36	88.88									
0.000		0.215592	0.223657	0.232024	0.240703	0.249707				
80.56	86.70									
0.000		0.191937	0.198351	0.204980	0.211830	0.218910				
71.77	76.64									
0.000		0.206856	0.212154	0.219985	0.225620					
76.81	75.61									
0.000		0.211895	0.217466	0.225643	0.231576	0.240284				
79.64	84.81									

3.66									
2.000	590188A40	07/26/00	07/26/05	100.000					
76.54	0.200544	0.209352	0.211532	0.220934	0.223346				
0.000	590188JA7	02/09/98	02/02/05	100.000					
72.65	0.193965	0.199810	0.205830	0.212032	0.218421				
Merrill Lynch & Co., Inc.	59018FAS1	07/30/01	04/13/04	100.000					
2.400	0.132835	0.133476	0.135074	0.136710					
20.11	48.59								
Merrill Lynch & Co., Inc.	59018SB94	03/20/98	03/20/28	12.154					
0.000	0.028773	0.029802	0.030867	0.031971	0.033114				
10.75	11.54								
0.000	59018SC51	03/27/98	05/21/18	25.000					
21.53	0.058330	0.060372	0.062484	0.064671	0.066934				
0.000	59018SR29	02/25/97	02/25/27	9.506					
10.49	0.027798	0.028910	0.030067	0.031269	0.032520				
3.125	59018SZ00	01/28/98	01/22/05	100.000					
67.53	0.183454	0.186412	0.189460	0.192601	0.195839				
0.000	59018SZT4	02/09/98	02/02/05	100.000					
72.64	0.189746	0.198703	0.201353	0.210858	0.213670				
Merrill Lynch & Co., Inc.	59018YDJ7	01/12/01	01/07/08	100.000					
0.250	0.176457	0.181691	0.187242	0.192968					
62.49	68.37								
0.250	59018YKD2	06/27/01	06/27/08	100.000					
31.81	0.172790	0.177948	0.183267	0.188751					
Merrill Lynch & Co., Inc.	59021J109	10/06/00	10/05/07	100.000					
0.000	0.195289	0.201087	0.209378	0.215636	0.224527				
73.58	78.90								
0.000	59021J208	11/20/00	11/20/07	100.000					
73.43	0.198771	0.205883	0.213249	0.220879	0.228782				
0.000	59021J307	04/30/01	06/27/07	100.000					
39.79	0.163863	0.165394	0.170272	0.175294	0.180465				
Mesa Operating Co.	590653AB7	07/02/96	07/01/06*	56.855					
VARIES	0.305176								
54.93*									
MetLife Capital Trust I	59156R207	04/04/00	05/15/05	99.520					
VARIES	0.228480	0.228738	0.229007	0.229287	0.229579				
82.32	82.52								
Metromedia International									
Group, Inc.	591695AE1	09/30/99	09/30/07	77.427					
VARIES	0.227710	0.237488	0.250416	0.261169	0.275386				
87.02	95.69								

Cellular S.A. 600814AC1 06/03/96 06/01/06 52.075  
 VARIES 0.351287 0.374999 0.374999 0.374999 0.374999  
 131.44 135.00  
 Mirant Corporation 604675AA6 05/31/01 06/15/21 100.000  
 2.500 0.237308 0.237906 0.245102 0.252605 0.260429  
 50.30 89.83

\* Called in 2001; reportable OID is computed to call date.

SECTION I-B

OID per

Daily OID Per \$1,000 \$1,000 of

of Maturity Value Maturity Issue Price  
 Annual Value for for Each Accrual Period (Percent of

Stated Total  
 Calendar Year -----  
 Interest OID to 2001 1st 2001 2nd 2001 3rd 2002 2nd 2002 3rd  
 -----  
 Name of Issuer CUSIP No. Date Date Date  
 Rate 1/1/01 Period 2002 1st Period Amount  
 2001 2002 -----

Mississippi Home Corp. 60535JAD8 06/17/93 12/01/08 34.265  
 0.000 235.16 0.112510 0.116476 0.120583 0.124834 0.129235  
 41.46 44.43  
 0.000 177.46 0.085961 24.289  
 12.89\*  
 0.000 221.14 0.104824 0.108230 0.111747 0.115379 0.119128  
 38.56 41.10  
 Mississippi Home Corp. 60535MCB3 07/21/93 09/15/16 19.775  
 0.000 135.35 0.064566 0.066866 0.069248 0.071715 0.074269  
 24.15 25.91  
 Monongahela Power Co. 610202830 06/19/95 06/30/25\* 100.000  
 8.000 0.222222 0.222222  
 57.78\*  
 Monsanto Company

10.14	10.99								
0.000	29.83	61688AAJ7	06/18/97	06/18/27	9.169				
10.07	10.91	0.027347	0.028458	0.029615	0.030818	0.032070			
0.000	30.26	61688AAK4	07/01/97	07/01/27	9.644				
10.27	11.11	0.027979	0.029091	0.030247	0.031450				
0.000	57.77	61688AAP3	12/01/97	12/01/17	21.855				
21.83	23.55	0.059105	0.061395	0.063774	0.066246	0.068813			
0.000	23.85	61688AAW8	06/30/98	06/30/28	12.693				
10.74	11.50	0.029314	0.030340	0.031402	0.032501	0.033638			
Morgan Stanley Dean									
Witter & Co.									
0.000	70.53	617446232	05/20/99	05/18/05	100.000				
70.53	75.03	0.191452	0.197467	0.203671	0.210069	0.216669			
0.000	54.63	617446DD8	12/30/98	12/30/05	86.996				
54.63	57.70	0.149638	0.153791	0.158059	0.162445	0.166953			
0.000	68.04	617446DJ5	05/19/99	05/30/06	98.259				
78.07	83.69	0.185138	0.190858	0.196755	0.202835	0.209102			
0.000	71.91	617446DM8	08/06/99	08/06/06	98.266				
76.62	82.12	0.207180	0.214514	0.222107	0.229970	0.238111			
0.000	75.50	617446DN6	08/17/99	08/17/05	88.745				
75.50	80.49	0.191065	0.197962	0.205108	0.212513	0.220185			
0.000	69.90	617446DP1	10/19/99	10/19/06	98.266				
69.90	74.58	0.206242	0.213512	0.221038	0.228830	0.236896			
0.000	75.33	617446DQ9	12/13/99	12/13/04	100.000				
75.33	80.66	0.205724	0.212390	0.219288	0.226426	0.233811			
0.250	69.90	617446DZ9	07/19/00	07/30/07	100.000				
69.90	74.58	0.199882	0.206809	0.213985	0.221418	0.229118			
0.250	69.90	617446GC7	11/17/00	11/30/07	100.000				
69.90	74.58	0.187856	0.192969	0.200414	0.205884	0.213842			
0.250	56.97	617446GD5	11/17/00	11/30/07	100.000				
56.97	64.21	0.187856	0.192969	0.200414	0.205884	0.213842			
0.250	43.43	617446GF0	01/24/01	01/30/08	100.000				
43.43	60.69	0.166731	0.166891	0.171691	0.176636	0.181729			
0.500		617446GJ2	04/02/01	03/30/08	100.000				
		0.160027	0.164190	0.168520	0.172974				

21.11	58.20								
Morgan Stanley Dean									
Witter & Co.		61744Y777	05/15/00	05/30/02				100.000	
6.000		0.211599	0.213296	0.215057					
76.59	32.04								
4.000		61744Y850	10/11/99	10/31/01				100.000	
55.23		0.183306	0.185628						
6.000		61744Y876	10/18/99	12/15/01				100.000	
62.31		0.180900	0.181361						
Motorola, Inc.		620076AE9	09/07/89	09/07/09				30.656	
0.000	292.13	0.097358	0.098644	0.103287			0.104651	0.109577	
36.46	38.68								
0.000	112.78	620076AJ8	09/27/93	09/27/13				63.923	
17.02	17.40	0.046726	0.047252	0.047784			0.048321	0.048865	
Mrs. Fields Holding									
Company, Inc.		62472PAC9	08/24/98	12/01/05				50.853	
VARIES		0.305135	0.327045	0.354391			0.379838	0.411598	
116.91	135.78								
Multnomah County, OR		625506HK6	12/08/99	06/01/13				36.019	
0.000	30.28	0.083197	0.086408	0.089743			0.093207	0.096805	
30.73	33.14								
0.000	28.06	625506HJ2	12/08/99	06/01/14				33.298	
28.49	30.73	0.077127	0.080111	0.083212			0.086432	0.089777	

\* Called in 2001; reportable OID is computed to call date.

SECTION I-B

OID per

Daily OID Per \$1,000 \$1,000 of

of Maturity Value Maturity Issue Price  
 Annual Value for for Each Accrual Period (Percent of

Stated Calendar Year	-----			
Interest Rate	OID to	2001 1st	2001 2nd	2001 3rd
Name of Issuer	1/1/01	Period	Period	Period
		CUSIP No.	Date	Date
		2002 1st	2002 2nd	2002 3rd
		Period	Period	Period
		Amount)	Principal	Amount)

0.000	17.79	625506HM3	12/08/99	06/01/20	21.112
18.06	19.49	0.048901	0.050794	0.052760	0.054802
0.000	16.49	625506HP8	12/08/99	06/01/21	19.568
16.74	18.06	0.045325	0.047079	0.048901	0.050794
0.000	15.29	625506HQ6	12/08/99	06/01/22	18.137
15.52	16.74	0.042011	0.043637	0.045325	0.047079
0.000	14.17	625506HR4	12/08/99	06/01/23	16.811
14.38	15.52	0.038939	0.040446	0.042011	0.043637
0.000	13.13	625506HS2	12/08/99	06/01/24	15.582
13.33	14.38	0.036092	0.037488	0.038939	0.040446
0.000	12.17	625506HT0	12/08/99	06/01/25	14.442
12.35	13.33	0.033452	0.034746	0.036091	0.037488
0.000	11.28	625506HU7	12/08/99	06/01/26	13.386
11.45	12.35	0.031006	0.032206	0.033452	0.034747
0.000	10.46	625506HV5	12/08/99	06/01/27	12.407
10.61	11.45	0.028738	0.029850	0.031006	0.032205
0.000	9.69	625506HW3	12/08/99	06/01/28	11.500
9.84	10.61	0.026637	0.027668	0.028739	0.029851
0.000	8.98	625506HX1	12/08/99	06/01/29	10.659
9.12	9.84	0.024689	0.025644	0.026637	0.027668
0.000	8.33	625506HY9	12/08/99	06/01/30	9.879
8.45	9.12	0.022883	0.023768	0.024688	0.025644
Murray County Hospital					
Authority					
10.000	12.89	626897BW1	12/29/94	03/01/04	97.642
3.02	3.34	0.007889	0.008300	0.008732	0.009186
Muzak Holdings Finance					
VARIABLES	0.232377	0.247481	0.263567	0.280659	0.298944
89.68	101.72				
NTL, Incorporated					
VARIABLES	0.213633	0.224068	0.235013	0.246492	0.258531
80.71	88.79				
VARIABLES					
80.71	88.79	629407AG2	03/13/98	04/01/08	61.724
NTL, Incorporated					
VARIABLES	0.239762	0.254593	0.270342	0.287065	0.304822
91.74	103.44				
Murray County Hospital					
Authority					
10.000	12.89	62940NAL6	10/26/00	10/01/10	97.872
3.02	3.34	0.007889	0.008300	0.008732	0.009186

0.000	629568AE6	02/05/01	02/05/21	60.841
13.85	0.042251	0.042779	0.043314	0.043856
0.000	629568AF3	02/05/01	02/05/21	60.841
13.85	0.042251	0.042779	0.043314	0.043856
0.000	640938AA4	02/13/98	02/13/18	39.106
0.000	0.058024	0.059402	0.060812	0.062257
21.52	22.56			0.063735
0.000	640938AB2	02/13/98	02/13/18	39.106
21.52	0.058024	0.059402	0.060812	0.062257
0.000	64107RAA6	08/05/96	08/05/04	100.000
12.750	0.017175	0.018302	0.019502	0.020782
6.73	7.64			0.022145
0.000	64107RAB4	08/05/96	08/05/04	100.000
12.750	0.017175	0.018302	0.019502	0.020782
6.73	7.64			0.022145
0.000	64107RAC2	08/05/96	08/05/04	100.000
12.750	0.017175	0.018302	0.019502	0.020782
6.73	7.64			0.022145
0.000	64577RBE8	04/23/99	04/01/03	98.384
9.250	6.21	0.011029	0.011567	0.012131
4.17	4.58			0.012723
0.000	645913AD6	06/30/97	02/15/01	79.234
0.000	0.175459			
7.72				
0.000	645913AE4	06/30/97	02/15/02	73.991
62.54	189.72	0.166728	0.172245	0.177945
0.000	645913AF1	06/30/97	02/15/03	68.931
59.42	179.84	0.158298	0.163619	0.169120
0.000	63.48			0.174805
0.000	645913AG9	06/30/97	02/15/04	64.086
56.32	170.10	0.149955	0.155075	0.160369
0.000	645913AH7	06/30/97	02/15/05	59.440
53.29	160.58	0.141796	0.146715	0.151805
0.000	645913AJ3	06/30/97	02/15/06	55.059
50.26	151.12	0.133645	0.138349	0.143218
0.000	645913AK0	06/30/97	02/15/07	51.069
47.16	141.61	0.125352	0.129805	0.134415
0.000	645913AL8	06/30/97	02/15/08	47.236
44.24	132.62	0.117535	0.121756	0.126130
	47.48			0.130660
				0.135354

OID per

Daily OID Per \$1,000 \$1,000 of

of Maturity Value Annual Value for

Maturity for Each Accrual Period Issue Price (Percent of

Stated Total Calendar Year Interest OID to 2001 1st 2001 2nd 2001 3rd 2002 2nd 2002 3rd

Name of Issuer Rate 1/1/01 2002 CUSIP No. Date 2002 1st 2002 2nd 2002 3rd

Name of Issuer	Rate	1/1/01	2002	CUSIP No.	Date	2002 1st	2002 2nd	2002 3rd	Issue Price	Principal
New Jersey Economic Development Authority	0.000	107.78	36.11	645913AP9	06/30/97	0.095811	0.099351	0.103022	0.106828	0.110775
	0.000	100.28	33.63	645913AQ7	06/30/97	0.089202	0.092518	0.095957	0.099523	0.103223
	0.000	93.21	31.30	645913AR5	06/30/97	0.082990	0.086099	0.089326	0.092673	0.096145
	0.000	86.56	29.09	645913AS3	06/30/97	0.077111	0.080014	0.083026	0.086152	0.089395
	0.000	80.36	27.01	645913AT1	06/30/97	0.071607	0.074310	0.077115	0.080026	0.083047
	0.000	74.58	25.08	645913AU8	06/30/97	0.066476	0.068990	0.071599	0.074307	0.077118
	0.000	69.17	23.27	645913AV6	06/30/97	0.061677	0.064017	0.066447	0.068968	0.071585
	0.000	64.16	21.59	645913AW4	06/30/97	0.057218	0.059394	0.061652	0.063996	0.066429
	0.000	59.53	20.04	645913AX2	06/30/97	0.053090	0.055110	0.057207	0.059384	0.061643
				645913AY0	06/30/97			0.057207		0.061643

0.000	40.86	645913BC7	06/30/97	02/15/24	13.601
13.76	14.83	0.036459	0.037851	0.039296	0.040796
0.000	37.89	645913BD5	06/30/97	02/15/25	12.602
12.76	13.76	0.033809	0.035100	0.036441	0.037833
0.000	35.13	645913BE3	06/30/97	02/15/26	11.676
11.83	12.76	0.031349	0.032547	0.033791	0.035083
The City of New York		649652020	05/27/93	05/15/04	43.345
0.000	339.99	0.165285	0.171706	0.178376	0.185306
61.26	66.11				0.192505
The City of New York		649653ME9	05/27/93	05/15/05	39.612
0.000	316.94	0.154715	0.160818	0.167162	0.173757
57.37	61.98				0.180611
0.000	295.16	649653MG4	05/27/93	05/15/06	35.938
53.75	58.16	0.144867	0.150698	0.156764	0.163073
The City of New York		649654NK2	05/27/93	05/15/07	32.768
0.000	273.50	0.134693	0.140182	0.145894	0.151839
49.99	54.15				0.158026
0.000	252.86	649654NL0	05/27/93	05/15/08	29.863
46.38	50.28	0.124913	0.130060	0.135418	0.140997
The City of New York		649655LL9	05/27/93	05/15/09	27.086
0.000	233.38	0.115718	0.120549	0.125582	0.130825
42.98	46.65				0.136286
0.000	214.94	649655LN5	05/27/93	05/15/10	24.595
39.72	43.14	0.106898	0.111409	0.116110	0.121010
News America Holdings		652478AC2	03/30/92	03/31/02	33.471
0.000	538.31	0.262206	0.275438	0.292525	
100.95	26.03				
0.000	178.20	652478AM0	03/11/93	03/11/13*	33.785
8.53*		0.077538	0.079670		
Nextel International		65332AAA7	03/12/98	04/15/08	54.915
VARIABLES		0.248152	0.261752	0.279139	0.294436
95.48	107.40				0.313994
VARIABLES		65332AAB5	03/12/98	04/15/08	54.915
95.48	107.40	0.248152	0.261752	0.279139	0.294436
VARIABLES		65332AAC3	03/12/98	04/15/08	54.915
95.48	107.40	0.248152	0.261752	0.279139	0.294436
Nextel Communications		65332VAH6	10/22/97	10/31/07	61.996
VARIABLES		0.223842	0.234750	0.246190	0.258187
83.91	92.29				0.270769
VARIABLES		65332VAJ2	09/17/97	09/15/07	59.557
		0.240392	0.253193	0.266675	0.280875
					0.295832

12.000	0.010127	0.010183	0.010839	0.011537	0.012280
2.96	4.16				
Niagara Mohawk Power	653522DKS	06/30/98	07/01/10	65.682	
VARIES	0.192060	0.200260	0.208810	0.217725	
70.62	76.78				
MISource, Inc.	65473P600	11/02/00	11/01/04	79.231	
0.000	7.67	0.133886	0.137842	0.141915	0.146108
47.98	50.85				
NorAm Energy Corporation	655419AC3	06/17/96	03/15/12	80.000	
6.000	34.41	0.025064	0.027188	0.028316	0.029490
9.44	10.23				
NOVA Gas Transmission	66978QAD3	10/17/95	10/17/25	100.000	
VARIES	0.023730	0.024410	0.025387	0.025177	0.025241
8.91	9.22				
Novi, Michigan	6700122J5	10/11/95	10/01/07	95.988	
6.500	13.57	0.008587	0.009199	0.009521	0.009854
3.20	3.43				
6.250	20.16	6700122K2	10/11/95	10/01/08	93.268
4.76	5.10	0.012773	0.013223	0.013689	0.014172
					0.014671

\* Called in 2001; reportable OID is computed to call date.

SECTION I-B

OID per

Daily OID Per \$1,000

\$1,000 of

of Maturity Value

Maturity

for Each Accrual Period

Issue Price

Annual

Value for

(Percent of

Stated Total

Calendar Year

Interest

OID to

2001 1st

2001 2nd

2001 3rd

2002 2nd

2002 3rd

Principal

Amount)

Period

1/1/01

2001

2002

2001

2002

2001

2002

2001

2002

2001

2002

Novi, Michigan

6.000

25.71

0.016312

0.016891

0.017491

0.018112

0.018755

90.349

90.349

90.349

90.349

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90.349

90.349

13.375	3.03	0.006347	0.008949	0.009594	0.010286	0.011029
3.21	3.69					
Occidente y Caribe						
Celular S.A.						
VARIABLES		0.393112	0.424288	0.427095	0.430125	0.433395
150.73	154.97					
674608AA2 06/07/96 03/15/04 46.449						
VARIABLES		0.393112	0.424288	0.427095	0.430125	0.433395
150.73	154.97					
674608AB0 06/07/96 03/15/04 46.449						
VARIABLES		0.393112	0.424288	0.427095	0.430125	0.433395
150.73	154.97					
674608AC8 06/07/96 03/15/04 46.449						
VARIABLES		0.393112	0.424288	0.427095	0.430125	0.433395
150.73	154.97					
674608AD6 06/07/96 03/15/04 46.449						
VARIABLES		0.393112	0.424288	0.427095	0.430125	0.433395
150.73	154.97					
674608AE4 06/07/96 03/15/04 46.449						
VARIABLES		0.393112	0.424288	0.427095	0.430125	0.433395
150.73	154.97					
676220AA4 12/11/92 12/11/07 47.674						
Office Depot, Inc.		0.098296	0.100753	0.103272	0.105854	0.108500
0.000	232.95					
35.93	37.75					
676220AB2 11/01/93 11/01/08 55.207						
0.000	181.23	0.080939	0.082557	0.084209	0.085893	0.087611
29.63	30.82					
Ohio Edison Company						
9.000	90.00	0.250000	0.250000	0.250000	0.250000	0.250000
90.00	90.00					
Cemnicom Group, Inc.						
2.250	33.90	0.086423	0.088583	0.090798	0.093067	0.095394
32.27	33.90					
681919AG1 01/06/98 01/06/13 100.000						
2.250	33.90	0.086423	0.088583	0.090798	0.093067	0.095394
32.27	33.90					
681919AH9 02/07/01 02/07/31 100.000						
0.000	72.44	0.186475	0.192734	0.199204	0.205890	
61.32	72.44					
681919AJ5 02/07/01 02/07/31 100.000						
0.000	72.44	0.186475	0.192734	0.199204	0.205890	
61.32	72.44					
681919AK2 02/07/01 02/07/31 100.000						
0.000	72.44	0.186475	0.192734	0.199204	0.205890	
61.32	72.44					
OnePoint Communications						
14.500	6.93	0.010722	0.011501	0.012473	0.013379	0.014510
4.11	4.78					
Onyx Acceptance Corp.						
12.500	3.15	0.013229	0.014120	0.015072	0.016087	0.017171
4.95	5.64					
Optel, Inc.						
13.000	11.10	0.009983	0.010664	0.011392	0.012169	0.013000

0.000	140.94	0.101673	0.105785	0.110064	0.114515	0.119147
38.35	41.51					
0.000	102.18	68428LAZ7	06/12/96	09/01/14	23.005	
27.90	30.24	0.073915	0.076956	0.080122	0.083419	0.086851
0.000	94.22	68428LBA1	06/12/96	09/01/15	21.183	
25.74	27.90	0.068172	0.070981	0.073905	0.076949	0.080119
0.000	86.82	68428LBB9	06/12/96	09/01/16	19.464	
23.73	25.73	0.062844	0.065439	0.068141	0.070955	0.073885
0.000	111.91	68428LBT0	03/03/97	09/01/11	34.929	
34.71	37.33	0.092400	0.095814	0.099355	0.103026	0.106833
0.000	102.24	68428LBW7	04/01/97	09/01/12	30.602	
32.59	35.19	0.086532	0.089920	0.093440	0.097098	0.100899
0.000	94.69	68428LBV5	04/01/97	09/01/13	28.339	
30.18	32.59	0.080135	0.083273	0.086532	0.089920	0.093440
0.000	92.12	68428LBW3	01/17/97	09/01/14	26.499	
27.95	30.14	0.074276	0.077128	0.080089	0.083165	0.086358
0.000	81.12	68428LBX1	04/01/97	09/01/15	24.175	
25.87	27.95	0.068690	0.071390	0.074195	0.077111	0.080141
0.000	79.00	68428LEY9	01/17/97	09/01/16	22.492	
24.01	25.90	0.063775	0.066246	0.068813	0.071480	0.074249
0.000	73.14	68428LEZ6	01/17/97	09/01/17	20.762	
22.24	24.00	0.059065	0.061359	0.063743	0.066219	0.068792
0.000	67.73	68428LCA0	01/17/97	09/01/18	19.198	
20.60	22.23	0.054705	0.056833	0.059044	0.061341	0.063727
0.000	62.80	68428LCB8	01/17/97	09/01/19	17.826	
19.09	20.61	0.050713	0.052683	0.054730	0.056856	0.059065
0.000	58.14	68428LCC6	01/17/97	09/01/20	16.480	
17.68	19.08	0.046961	0.048788	0.050685	0.052657	0.054705
0.000	53.92	68428LCD4	01/17/97	09/01/21	15.306	
16.39	17.69	0.043543	0.045234	0.046992	0.048817	0.050713
0.000	169.78	68428LCE2	03/31/97	09/01/05	54.381	
53.53	57.55	0.142519	0.147768	0.153211	0.158854	0.164705
0.000	163.50	68428LCP9	01/17/97	09/01/06	50.677	
49.05	52.64	0.130713	0.135411	0.140279	0.145321	0.150544

of Maturity Value	Maturity				Issue Price
	for Each Accrual Period				
Annual Value for	2001 1st	2001 2nd	2001 3rd	2002 2nd	2002 3rd
Stated Calendar Year	-----				
Interest	OID to	2001 1st	2001 2nd	2001 3rd	2002 2nd
Name of Issuer	Rate	1/1/01	2001 1st	2001 2nd	2001 3rd
2001	2002	Period	Period	Period	Period
		CUSIP No.	Date	Date	Amount
		Period	2002 1st	2002 2nd	Principal
			Period	Period	(Percent of
					-----
Orange County, CA		68428LCH5	01/17/97	09/01/08	43.315
0.000	142.82	0.114462	0.118656	0.123004	0.127512
42.99	46.19				0.132184
0.000	133.24	68428LCJ1	01/17/97	09/01/09	39.915
40.18	43.21	0.106931	0.110892	0.115000	0.119261
0.000	124.02	68428LCK8	01/17/97	09/01/10	36.871
37.44	40.28	0.099618	0.103333	0.107187	0.111184
PG&E Capital I		69331F200	11/28/95	12/31/25	100.000
7.900		0.219444	0.228113	0.237123	0.246489
80.58	87.07				0.256226
PF.NET Communications		69333SAA9	05/10/00	05/15/10	76.400
13.750	5.66	0.026339	0.028857	0.031617	0.034641
10.18	12.22				0.037954
13.750	5.66	69333SAB7	05/10/00	05/15/10	76.400
10.18	12.22	0.026339	0.028857	0.031617	0.034641
13.750	5.66	69333SAC5	05/10/00	05/15/10	76.400
10.18	12.22	0.026339	0.028857	0.031617	0.034641
PFL Capital Funding		69352FAA3	05/09/01	05/18/06	100.543
VARIES		0.207431	0.204042	0.207278	0.204115
48.53	75.09				0.207726
Pacific Telesis Group		694887209	01/09/96	12/31/25*	100.000
7.560		0.210000			
9.24*					
Park n' View, Inc.		700592AB4	05/27/98	05/15/08	93.800
13.000	9.09	0.011736	0.012568	0.013459	0.014413
4.45	5.11				0.015435
Pathe Communications Corp.		703193AA0	04/15/89	04/15/01	69.310

4.950	709903BHO	08/02/98	08/15/08	96.562
76.76	0.209807	0.212500	0.215293	0.218190
	PepsiCo, Inc.			0.221195
	VARIES	71345LDR6	02/23/96	02/23/11*
8.75*	0.168353			73.512
	Petracom Holdings, Inc.	716428AB3	08/01/95	02/01/03
	VARIES	0.495154	0.495968	0.496855
178.66	179.35			0.497822
	Petro FSC Properties, LP	71645KAB3	05/24/94	06/01/02
12.500	0.018238	0.019887	0.020736	96.343
6.86	3.11			
	71645KAC1	05/24/94	06/01/02	100.000
12.500	0.018238	0.019447	0.020736	
6.86	3.11			
	Petro Stopping Centers	71646DAE2	07/23/99	08/01/08
	Holdings, LP	0.228422	0.249774	0.273121
	VARIES			0.298650
92.78	110.94			0.326566
	Pharmacia Corporation	71713U201	11/30/98	12/01/03
5.950	0.165278	0.165278	0.165278	0.165278
59.50	59.50			100.000
	Philadelphia Authority	71781LAP4	02/03/99	04/15/24
0.000	25.58	0.039585	0.040909	0.042278
14.69	15.69			0.043692
	71781LAQ2	02/03/99	04/15/12	43.760
0.000	55.73	0.085988	0.088722	0.091543
31.87	33.93			0.094454
	71781LAR0	02/03/99	04/15/13	40.766
0.000	52.43	0.080942	0.083540	0.086222
30.01	31.97			0.088989
	71781LAS8	02/03/99	04/15/14	37.933
0.000	49.27	0.076097	0.078562	0.081108
28.22	30.08			0.083735
	71781LAT6	02/03/99	04/15/15	35.256
0.000	46.23	0.071453	0.073789	0.076202
26.50	28.27			0.078693
	71781LAU3	02/03/99	04/15/16	32.784
0.000	43.34	0.067008	0.069215	0.071496
24.86	26.53			0.073851
	71781LAV1	02/03/99	04/15/17	30.618
0.000	40.60	0.062791	0.064866	0.067010
23.30	24.86			0.069224
	71781LAW9	02/03/99	04/15/18	28.637
0.000	38.04	0.058827	0.060774	0.062786
21.83	23.30			0.064864
	71781LAX7	02/03/99	04/15/19	26.727
0.000	35.61	0.055087	0.056916	0.058805
20.44	21.82			0.060758
	71781LAY5	02/03/99	04/15/20	24.985



63.72	68.13								
0.000		725208587	03/14/97	09/01/03	69.124				
61.63	65.89	0.164591	0.170187	0.175972	0.161955	0.186141			
0.000		725208575	03/14/97	03/01/04	66.403				
60.31	64.54	0.160973	0.166526	0.172270	0.178213	0.184361			
0.000		725208502	03/14/97	09/01/04	64.188				
58.30	62.39	0.155607	0.160975	0.166529	0.172274	0.178217			
0.000		725208500	03/14/97	03/01/05	61.808				
56.65	60.66	0.151183	0.156436	0.161872	0.167497	0.173317			
0.000		725208508	03/14/97	09/01/05	59.733				
54.75	58.62	0.146104	0.151181	0.156434	0.161870	0.167495			
0.000		7252085X6	03/14/97	03/01/06	57.478				
53.17	56.95	0.141835	0.146799	0.151936	0.157254	0.162757			
0.000		7252085Y4	03/14/97	09/01/06	55.533				
51.37	55.03	0.137042	0.141838	0.146803	0.151941	0.157258			
0.000		7252085Z1	03/14/97	03/01/07	53.656				
49.63	53.17	0.132406	0.137040	0.141836	0.146800	0.151938			
VARIABLES		7252086B3	03/14/97	03/01/24	47.086				
46.77	50.30	0.124491	0.129097	0.133873	0.138826	0.143963			
Portland General									
Electric Company		736508854	10/10/95	12/31/35	100.000				
8.250		0.229167	0.229167	0.229167	0.229167	0.229167			
82.50	82.50								
Portland, OR		7367108W3	01/31/96	12/01/01	98.262				
7.625	14.10	0.009719	0.010108						
3.28									
0.000	304.83	7367108X1	01/31/96	12/01/01	62.387				
71.30		0.211294	0.220006						
Potomac Edison Company		737662866	06/27/95	06/30/25	100.000				
8.000		0.222222	0.222222	0.222222	0.222222	0.222222			
80.00	80.00								
Potomac Electric Power		7376798T6	08/20/92	09/01/02*	88.226				
5.000	92.51	0.039630							
1.19*									
Premier Parks, Inc.		740540AE9	04/01/98	04/01/08	61.391				
VARIABLES		0.217647	0.228529	0.239956	0.251953	0.264551			
82.32	90.76								
Presidio Independent									
School District		741020DW8	05/14/98	02/15/12	38.054				
0.000	77.35	0.088537	0.091702	0.094980	0.098375	0.101891			

0.000	58.34	0.066816	0.069221	0.071713	0.074294	0.076969
25.15	27.00					
		741020EB3	05/14/98	02/15/17		26.541
0.000	54.36	0.062254	0.064495	0.066816	0.069221	0.071713
23.44	25.15					
		741020EC1	05/14/98	02/15/18		24.728
0.000	50.65	0.058002	0.060090	0.062253	0.064494	0.066816
21.83	23.44					
		741020ED9	05/14/98	02/15/19		22.810
0.000	47.07	0.053934	0.055869	0.057914	0.060013	0.062189
20.31	21.81					
		741020EE7	05/14/98	02/15/20		21.242
0.000	43.83	0.050226	0.052047	0.053934	0.055888	0.057914
18.91	20.31					
		741020EF4	05/14/98	02/15/21		19.782
0.000	40.82	0.046774	0.048470	0.050226	0.052047	0.053933
17.61	18.91					
		741020EG2	05/14/98	02/15/22		18.422
0.000	38.01	0.043559	0.045138	0.046774	0.048469	0.050226
16.40	17.61					
		Pride International Inc.	741932AB3	04/24/98	04/24/18	39.106
0.000	52.58	0.058024	0.059402	0.060812	0.062257	0.063735
21.32	22.35					
		741932AE7	01/16/01	01/16/21		60.841
0.000		0.042251	0.042779	0.043314	0.043856	
14.66	15.67					
		Providian Financial Corporation	74406AAB8	02/15/01	02/15/21	45.289
0.000		0.050321	0.051328	0.052354	0.053401	
16.04	18.94					
		Providian Corporation	74406QAM9	05/08/95	06/02/25	62.648
5.000	20.20	0.012607	0.013139	0.013693	0.014271	0.014873
4.67	5.07					

\* Called in 2001; reportable OID is computed to call date.

SECTION I-B

OID per

Daily OID Per \$1,000 \$1,000 of

of Maturity Value Maturity

Annual Value for Issue Price

for Each Accrual Period (Percent of

Stated Total -----



0.000	119.28	774285UQ1	07/02/98	08/15/03	73.483
52.97	56.25	0.141654	0.145980	0.150439	0.155033
0.000	90.40	774285UV0	07/02/98	08/15/08	52.654
40.37	43.01	0.107729	0.111197	0.114778	0.118473
		Rogers Communications, Inc.			
2.000	163.64	775109AE1	11/26/93	11/26/05	67.814
28.81	30.49	0.078457	0.080712	0.083033	0.085420
		SF Holdings Group, Inc.			
VARIABLES		784141AA1	03/12/98	03/15/08	52.163
101.10	114.81	0.261787	0.278975	0.297292	0.316812
		784141AB9	03/12/98	03/15/08	52.163
VARIABLES		0.261787	0.278975	0.297292	0.316812
101.10	114.81	784141AC7	03/12/98	03/15/08	52.163
		784141AD5	03/12/98	03/15/08	52.163
VARIABLES		0.261787	0.278975	0.297292	0.316812
101.10	114.81	784141AE3	03/12/98	03/15/08	52.163
		784141AF0	03/12/98	03/15/08	52.163
VARIABLES		0.261787	0.278975	0.297292	0.316812
101.10	114.81	784186AA6	10/15/99	03/30/05	100.000
		0.195690	0.198903	0.208926	0.212356
73.25	78.20	784186AB4	12/20/99	06/20/05	100.000
		0.195181	0.200573	0.208385	0.214142
72.39	77.28	784186AP3	01/31/01	01/31/06	100.000
		0.161965	0.163995	0.171600	0.173751
54.57	62.74	784186AQ1	02/28/01	02/28/06	100.000
		0.151497	0.158301	0.160061	0.167250
0.000	47.35	784186AR9	02/28/01	02/28/06	100.000
47.35	59.20	0.151497	0.158301	0.160061	0.167250
		784186AS7	03/30/01	03/31/06	100.000
0.000	41.95	0.150570	0.149770	0.154720	0.158091
41.95	57.89	784186AT5	03/30/01	03/31/06	100.000
		0.150570	0.149770	0.154720	0.158091
41.95	57.89	784270202	05/02/97	04/30/37	100.000

SECTION I-B

OID per

Daily OID Per \$1,000 \$1,000 of

of Maturity Value Maturity  
for Each Accrual Period

Annual Value for Issue Price  
(Percent of

Stated Total Calendar Year -----

Interest OID to 2001 1st 2001 2nd 2001 3rd 2002 2nd 2002 3rd

Name of Issuer CUSIP No. Date Date Amount)  
 Rate 1/1/01 Period 2002 1st Period Period  
 2001 2002

Salomon Smith Barney

Holdings, Inc.	795498818	07/31/98	08/01/05	100.000
0.000	0.188250	0.197243	0.199982	0.209535
72.13	76.63			0.212444
0.000	0.200567	0.206781	0.213188	0.219793
74.77	79.48			0.226603
0.000	0.214292	0.221136	0.228200	0.235489
79.60	84.77			0.243011
0.000	0.238412	0.246510	0.254883	100.000
89.10	17.84			
Salomon, Inc.	795495A63	10/01/96	10/01/11*	65.500
VARIES	0.220628	0.230163		
61.29*				
VARIES	0.216909	0.226112	10/03/11*	66.000
60.66*				
VARIES	0.213948	0.222891	10/01/11*	66.400
59.38*				
VARIES	0.167883	0.213966	02/13/08*	70.890
7.69*				
VARIES	0.138934	0.144142	03/01/96	47.900
			03/01/16	
			0.149546	0.155152
				0.160969

0.000	62.15	0.058026	0.060414	0.062901	0.065490	0.068185
21.96	23.80					
Sam Houston Race Park		79585PAA9	10/06/95	10/01/01	100.000	
VARIABLES		0.309684	0.309928			
82.21						
Seagram Company Ltd.		811850205	06/21/99	06/21/04	100.000	
VARIABLES		0.218244	0.218501	0.218769	0.219047	0.218689
78.62	78.81					
Security Pacific Corporation		81482EAB2	04/23/91	05/01/03	85.000	
8.375	104.86	0.047988	0.050534	0.053215	0.056039	0.059012
18.05	20.01					
Shoney's, Inc.		825039AC4	04/11/89	04/11/04	28.689	
0.000	474.67	0.174496	0.180919	0.189644	0.196623	0.206106
66.11	71.85					
Silicon Graphics, Inc.		827056AB8	11/02/93	11/02/13	43.977	
0.000	150.49	0.067584	0.068986	0.070417	0.071879	0.073370
24.75	25.79					
625 Liberty Avenue Corp.		830052AA4	12/31/93	03/01/02	100.000	
9.000	0.250000	0.250000	0.250000			
90.00	15.00					
Solectorn Coproration		834182AK3	05/08/00	05/08/20	57.912	
0.000	10.34	0.044846	0.045463	0.046088	0.046721	0.047364
16.32	16.77					
Southern California Edison Company		842400764	05/25/95	06/30/44	100.000	
8.375	0.232639	0.232639	0.242381	0.252530	0.263105	
83.76	89.10					
Southland Corporation		844436AR6	06/15/91	12/15/03	96.508	
5.000	24.46	0.009177	0.009425	0.009679	0.009939	0.010207
3.36	3.54					
Sovereign Bancorp, Inc.		845905306	11/15/99	01/15/30	65.000	
7.500	0.004067	0.004306	0.004559	0.004827	0.005110	
1.59	1.78					
Sovereign Bancorp, Inc.		84603L207	11/15/99	01/15/30	65.000	
7.500	0.003979	0.004282	0.004460	0.004800	0.004999	
1.59	1.78					
Sprint Capital Corp.		852060AK8	08/10/01	08/17/06	100.000	
VARIABLES		0.180872	0.177942	0.181387	0.178934	
25.64	65.71					
Sprint Spectrum L.P.		85207FAB4	08/23/96	08/15/06*	54.687	
VARIABLES		0.307563	0.326785	0.347207		
89.37*						
Steel Heddle Group, Inc.		858123AB8	05/26/98	06/01/09	51.337	
VARIABLES		0.273916	0.292747	0.312873	0.334382	0.357370
103.17	117.84					
Sterling Chemicals Holdings, Inc.		85916EAA1	08/21/96	08/15/08	48.554	
VARIABLES		0.326650	0.355784	0.374984	0.381790	0.376188
131.22	138.27					

26.23	27.22								
8.350		867022204	10/11/95	12/30/44*					100.000
19.02*		0.231944							
		Sunbeam Corporation	867071AA0	03/25/98	03/25/18				37.243
0.000	54.56	0.058524	0.059987	0.061487	0.063024				0.064599
21.62	22.71								
0.000	54.56	0.058524	0.059987	0.061487	0.063024				0.064599
21.62	22.71								
0.000	54.56	0.058524	0.059987	0.061487	0.063024				0.064599
21.62	22.71								
0.000	54.56	0.058524	0.059987	0.061487	0.063024				0.064599
21.62	22.71								

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SECTION I-B

OID per

Daily OID Per \$1,000 \$1,000 of

of Maturity Value Maturity Issue Price  
 Annual Value for for Each Accrual Period (Percent of  
 Stated Total Calendar Year

Interest OID to 2001 1st 2001 2nd 2001 3rd 2002 2nd 2002 3rd

Name of Issuer	CUSIP No.	Date	Date	Amount)
Rate 1/1/01	Period	2002 1st	Period	Period
2001	2002			

Sunsource, Inc.	867948AA9	09/30/97	09/30/27	110.000
11.600	0.320292	0.320191	0.320084	0.319972
115.59	115.51			0.319854
Superior Trust I	86836P202	04/01/99	03/30/14	75.000
8.500	11.80	0.020672	0.021929	0.023263
7.90	6.69		0.024678	0.026179

14.000	0.023717	0.023894	0.023968	0.023919	0.023727
8.61	8.58				
	87307RAD9	07/29/98	08/01/08	92.930	
14.000	0.023717	0.023894	0.023968	0.023919	0.023727
8.61	8.58				
Teck Corporation	878742AB1	07/13/94	07/15/06	80.941	
3.750	0.043837	0.045152	0.046507	0.047902	0.049339
16.46	17.46				
Telefonica de Argentina	879378AE7	08/05/98	08/05/01	100.000	
6.875	0.006824	0.007198			
1.54					
Telemundo Group, Inc.	87943MAF5	02/26/96	02/15/06	91.270	
VARIABLES	0.097204	0.097203	0.097202	0.097201	0.097200
34.99	34.99				
Telemundo Holdings, Inc.	87944FAA0	08/12/98	08/15/08	57.120	
VARIABLES	0.228408	0.241541	0.255429	0.270116	0.285648
88.27	98.71				
VARIABLES	87944FAB8	08/12/98	08/15/08	57.120	
88.27	98.71				
VARIABLES	0.228408	0.241541	0.255429	0.270116	0.285648
36.01	98.71				
VARIABLES	87944FAC6	08/10/01	08/15/08	79.837	
36.01	98.71				
VARIABLES	0.255017	0.255425	0.270111	0.285641	
36.01	98.71				
VARIABLES	87944FAD4	08/10/01	08/15/08	79.837	
36.01	98.71				
VARIABLES	0.255017	0.255425	0.270111	0.285641	
Telesystem International	879946AC5	06/27/97	06/30/07	52.595	
Wireless, Inc.	0.303621	0.323735	0.345182	0.368050	0.368049
VARIABLES	112.97	128.40			
VARIABLES	879946AE1	10/29/97	11/01/07	59.915	
89.35	98.98				
Tennessee Valley	880591102	04/10/95	03/30/45*	100.000	
Authority	0.222222				
8.000	2.44*				
7.500	24.49*				
VARIABLES	880591201	04/26/96	03/31/46*	100.000	
24.49*	0.206044	0.204918			
Terex Corporation	880779AJ2	03/09/99	04/01/08	94.802	
8.875	7.16				
VARIABLES	0.011927	0.012508	0.013118	0.013758	0.014428
4.51	4.96				
8.875	7.16				
VARIABLES	880779AK9	03/09/99	04/01/08	94.802	
4.51	4.96				
VARIABLES	0.011927	0.012508	0.013118	0.013758	0.014428
Texttron, Inc.	883198202	02/09/96	03/31/45	100.000	
7.920	79.20				
VARIABLES	0.217582	0.216393	0.217582	0.216393	0.217582
79.20	79.20				
Thermadyne Holdings	883435AD1	05/22/98	06/01/08	54.374	

TransWorld Airlines	893349BC3	03/31/97	04/01/02	85.000
12.000	100.92	0.098893	0.107171	0.116025
38.64	10.44			
12.000	100.92	893349BE9	03/31/97	04/01/02
38.64	10.44	0.098893	0.107171	0.116025
12.000	100.92	893349EG4	03/31/97	04/01/02
38.64	10.44	0.098893	0.107171	0.116025
TransAmerican Waste Industries, Inc.	89351VAA7	07/29/94	07/29/03	81.790
10.000	106.74	0.066777	0.076142	0.081306
26.28	29.96			0.086820
10.000	106.74	89351VAB5	07/29/94	07/29/03
26.28	29.96	0.066777	0.076142	0.081306
10.000	106.74	893525204	07/23/96	07/24/45
26.28	29.96	0.243056	0.243056	0.243056
8.750	87.50			100.000
87.50	87.50			0.243056
TransOcean SedcoForex	893830AA7	05/24/00	05/24/20	57.912
0.000	9.62	0.044846	0.046088	0.046721
16.30	16.75			0.047364
Travelers P&C Capital I	893931204	04/30/96	04/30/36	100.000
8.080	80.80	0.224444	0.224444	0.224444
80.80	80.80			0.224444
TransWestern Holdings	894024AC2	11/12/97	11/15/08	56.116
VARIES	0.260450	0.271416	0.292297	0.304603
98.58	110.63			0.328037
TravelCenters of America	894172AD7	11/14/00	05/01/09	92.822
12.750	.61	0.012884	0.014713	0.015760
4.90	5.62			0.016882
12.750	.61	894172AE5	11/14/00	05/01/09
4.90	5.62	0.012884	0.014713	0.015760
12.750	.61	894172AF2	11/14/00	05/01/09
4.90	5.62	0.012884	0.014713	0.015760

\* Called in 2001; reportable OID is computed to call date.

SECTION I-B

OID per

Daily OID Per \$1,000

of Maturity Value

\$1,000 of

Maturity

Issue Price

TravelCenters of America	894172AG0	11/14/00	05/01/09	92.822
12.750	0.012884	0.013735	0.014713	0.015760
4.90	5.62			0.016882
Travelers P&C Capital II	89420B209	05/15/96	05/15/36	100.000
9.000	0.222222	0.222222	0.222222	0.222222
80.00	80.00			
Tritel PCS, Inc.	89675QAB5	05/11/99	05/15/09	53.828
VARIABLES	0.229789	0.244437	0.260019	0.276595
86.75	98.16			0.294227
Trump Atlantic City				
Funding II	89816NAC0	12/10/97	05/01/06	96.073
11.250	0.011049	0.011713	0.012416	0.013161
4.18	4.70			0.013951
Trump Atlantic City				
Funding III	89816PAB7	12/10/97	05/01/06	94.200
11.250	0.016220	0.017224	0.018290	0.019422
6.14	6.93			0.020624
Trump's Castle Funding	898179AE8	12/28/93	11/15/03	96.000
11.750	0.013819	0.014680	0.015595	0.016567
5.21	5.88			0.017600
VARIABLES	0.396324	0.398447	0.400580	0.402726
131.93	133.35			0.404882
TV Azteca, S.A. de C.V.	901145AA0	03/27/01	02/15/04	98.518
10.125	0.012546	0.013063	0.013764	0.014503
3.51	5.02			
10.500	901145AB8	03/27/01	02/15/07	96.915
2.98	0.010665	0.011124	0.011749	0.012409
10.125	901145AC6	03/27/01	02/15/04	98.518
3.51	0.012546	0.013063	0.013764	0.014503
10.500	901145AD4	03/27/01	02/15/07	96.915
2.98	0.010665	0.011124	0.011749	0.012409
10.125	901145AE2	03/27/01	02/15/04	98.518
3.51	0.012546	0.013063	0.013764	0.014503
10.500	901145AF9	03/27/01	02/15/07	96.915
2.98	0.010665	0.011124	0.011749	0.012409
10.125	90261QAR8	07/16/97	07/16/17*	20.550
3.51	0.058407	0.060764		
11.81*				
UIH Australia/Pacific, Inc.	902745AC2	05/14/96	05/15/06	50.816

USN Communications, Inc.	90336NAC9	08/18/97	08/15/04	53.626
VARIES	0.455334	0.459793	0.464657	0.469962
165.99	169.74			
UNIFI Communications	90467NAE6	02/21/97	03/01/04	94.166
14.000	24.61	0.022932	0.024696	0.026596
9.01	10.45			0.028642
0.030846				
United International				
Holdings, Inc.	910734AE2	02/05/98	02/15/08	59.069
VARIES	0.229830	0.242183	0.255199	0.268915
86.41	96.17			0.283368
U S Cellular Corporation	911684AA6	06/13/95	06/15/15	30.646
0.000	119.02	0.070724	0.072846	0.075031
25.91	27.49			0.077282
0.079601				
United Technologies Corp	913017AR0	11/13/89	11/15/19	98.974
8.875	1.32	0.000517	0.000531	0.000564
.19	.21			0.000580
0.000616				
University of North				
Carolina Chapel Hill	914713KR2	08/14/91	02/15/10	19.000
0.000	251.05	0.108699	0.113689	0.118907
41.42	45.31			0.124365
0.130073				
0.000	228.73	0.099458	0.104081	0.108918
37.92	41.53			0.113580
0.119277				
0.000	210.11	0.090841	0.094992	0.099334
34.60	37.84			0.103874
0.108622				
0.000	190.15	0.082871	0.086748	0.090806
31.61	34.64			0.095053
0.099500				
0.000	174.36	0.075762	0.079276	0.082952
28.88	31.63			0.086799
0.090824				
0.000	159.76	0.069295	0.072492	0.075837
26.41	28.90			0.079316
0.082997				
Upshur County, WV	916734AC0	12/30/93	04/01/05	96.024
8.250	20.13	0.010629	0.011098	0.011587
4.00	4.36			0.012097
0.012630				
0.000	10.52	0.005625	0.005884	0.006156
8.750	2.12			0.006440
0.006737	2.32			
Valhi, Inc.	918905AC4	10/20/92	10/20/07	25.759
0.000	283.10	0.136441	0.142751	0.149354
51.17	56.01			0.156261
0.163489				
Veritas Capital Trust	92343M300	12/22/97	01/01/28	100.000
10.000		0.277778	0.277778	0.277778
100.00	100.00			
Vialog Corporation	92552XAE6	11/12/97	11/15/01*	94.207
12.750	42.47	0.047076	0.049716	
6.81*				

OID per

Daily OID Per \$1,000 \$1,000 of

of Maturity Value Maturity Issue Price  
Annual Value for for Each Accrual Period (Percent of

Stated Total Calendar Year Interest OID to 2001 1st 2001 2nd 2001 3rd 2002 1st 2002 2nd 2002 3rd

Name of Issuer CUSIP No. Date Date Date Date Date  
Rate 1/1/01 Period Period 2002 1st Period Amount)  
2001 2002

VoiceStream Wireless	928615AD5	11/09/99	11/15/09	56.061					
VARIES	0.207937	0.220283	0.233361	0.247217	0.261895				
78.25	87.82								
VoiceStream Wireless	92861LAD0	11/09/99	11/15/09	56.061					
VARIES	0.207937	0.220283	0.233361	0.247217	0.261895				
78.25	87.82								
MMX Technologies, Inc.	92929QAC1	05/09/94	04/30/04	100.000					
VARIES	0.034972	0.034441	0.033891	0.033321	0.032731				
12.43	12.03								
Waste Management, Inc.	941063AK5	10/01/92	10/01/02	100.000					
VARIES	0.076697	0.075530	0.075167	0.073956					
27.64	20.30								
Weimer Independent School District	948679DA0	12/16/97	08/15/03	70.182					
0.000	147.10	0.146193	0.150834	0.155621	0.160561	0.165658			
54.75	58.28								
0.000	139.65	0.138962	0.143443	0.148068	0.152842	0.157770			
52.07	55.48								
0.000	132.28	0.131803	0.136118	0.140575	0.145178	0.149932			
49.42	52.71								
0.000	125.03	0.124736	0.128885	0.133169	0.137596	0.142170			
46.80	49.96								
0.000	117.92	0.117800	0.121775	0.125884	0.130132	0.134523			
44.22	47.26								
West Penn Power Company	955278825	06/12/95	06/30/25	100.000					

0090000000131

Western Resources, Inc.									
Capital II	958905200	07/31/96	09/30/36	100.000					
8.500	0.233517	0.232240	0.233517	0.232240	0.233517				
85.00	85.00								
Western Resources, Inc.									
7.875	0.218750	0.218750	0.218750	0.218750	0.218750				
78.75	78.75								
White Settlement ISD									
0.000	0.133172	0.137833	0.142656	0.147648	0.152815				
50.07	53.64								
0.000	0.125306	0.129754	0.134360	0.139129	0.144067				
47.14	50.55								
0.000	0.174824	0.174824	0.174824	0.174824	0.174824				
7.69									
0.000	0.166280	0.171766	0.177433	0.183100	0.188767				
62.37	7.81								
0.000	0.157812	0.163097	0.168560	0.174206	0.180040				
59.23	63.26								
0.000	0.149452	0.154533	0.159786	0.165218	0.170834				
56.12	60.00								
0.000	0.141230	0.146102	0.151142	0.156355	0.161749				
53.07	56.79								
Whole Foods Market, Inc.									
0.000	0.058524	0.059987	0.061487	0.063024	0.064599				
21.68	22.78								
Will County, IL School									
District 122	968852FG3	11/19/97	11/01/16	23.888					
0.000	0.063853	0.066311	0.068864	0.071516	0.074269				
23.73	25.59								
0.000	0.059207	0.061486	0.063853	0.066311	0.068864				
22.00	23.73								
Will County, IL School									
District 201-U	969003KUS	01/14/98	11/01/01	77.433					
0.000	0.177796	0.183882	0.189968	0.196054	0.202139				
54.43									
WinStar Communications									
VARIES	975515AD9	10/23/95	10/15/05	44.139					
148.93	150.40								
0.000	0.411992	0.413814	0.415780	0.417902	0.420190				
VARIES	975515AY3	04/10/00	04/15/10	48.990					
83.12	95.83								
0.000	0.215955	0.231881	0.248982	0.267343	0.287058				
VARIES	975515AZ0	04/10/00	04/15/10	48.990					
83.12	95.83								
0.000	0.215955	0.231881	0.248982	0.267343	0.287058				
VARIES									

0.000	118.43	0.076895	0.079625	0.082452	0.085378	0.088409
29.01	31.10					
		986812MA0	12/28/95	02/01/15	26.297	
0.000	110.41	0.071715	0.074268	0.076911	0.079649	0.082485
27.06	29.02					
		986812MB8	12/28/95	02/01/16	24.378	
0.000	102.85	0.066850	0.069240	0.071715	0.074279	0.076934
25.23	27.06					
		986812MC6	12/28/95	02/01/17	22.586	
0.000	95.76	0.062278	0.064514	0.066830	0.069229	0.071714
23.51	25.22					
		986812MD4	12/28/95	02/01/18	20.780	
0.000	88.96	0.057932	0.060029	0.062202	0.064453	0.066786
21.87	23.49					
		986812ME2	12/28/95	02/01/19	19.353	
0.000	82.86	0.053955	0.055908	0.057931	0.060028	0.062201
20.37	21.87					
		986812MF9	12/28/95	02/01/20	18.025	
0.000	77.17	0.050251	0.052070	0.053955	0.055908	0.057932
18.97	20.37					

SECTION I-B

OID per \$1,000 of  
Daily OID Per \$1,000 of  
of Maturity Value  
Annual Value for  
Maturity for Each Accrual Period  
Issue Price (Percent of

Stated Calendar Year	Total Calendar Year	Interest	OID to	2001 1st Period	2001 2nd Period	2001 3rd Period	2002 1st Period	2002 2nd Period	2002 3rd Period	Principal Amount
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Name of Issuer	1/1/01	CUSIP No.	Date	2002 1st Period	2002 2nd Period	2002 3rd Period	2002 1st Period	2002 2nd Period	2002 3rd Period	Amount
Rate	2001	2002								

York County, PA	986812MG7	12/28/95	02/01/21	16.787						
0.000	71.87	0.046801	0.048495	0.050251	0.052070	0.053954				
17.67	18.97									
		986812MH5	12/28/95	02/01/22	15.635					

83.02	93.28								
Danka Business Systems		G2652NAB5	06/29/01	04/01/08	28.000				
10.000			0.065740	0.073160	0.089316	0.109040			
12.63	32.48								
0.000		G2652NAC3	06/29/01	04/01/04	35.000				
77.82	197.37		0.406118	0.449472	0.543350	0.656834			
Dolphin Telecom, PLC		G28058AD0	05/18/99	05/15/09	50.892				
VARIES			0.242180	0.259132	0.277271	0.296680	0.317447		
91.85	105.16								
Advance Holding Corp.		U00798AA3	04/15/98	04/15/09	53.586				
VARIES			0.261801	0.278655	0.296593	0.315687	0.336009		
99.93	113.21								
Alaris Medical, Inc.		U01143AA1	07/28/98	08/01/08	58.144				
VARIES			0.223326	0.235748	0.248861	0.262704	0.277317		
86.46	96.35								
Amazon.com, Inc		U02320AA4	05/08/98	05/01/08	61.507				
VARIES			0.217643	0.228525	0.239951	0.251948	0.264545		
81.65	90.02								
Anixter International		U03525AA7	06/28/00	06/28/20	25.257				
0.000	9.04		0.050272	0.051747	0.053852	0.055432	0.057688		
18.63	19.96								
Avalon Cable, LLC		U05225AA2	12/10/98	12/01/08	56.332				
VARIES			0.230793	0.243159	0.259011	0.272888	0.290678		
87.38	98.06								
Benedek Communications Corporation		U08115AA2	06/06/96	05/15/06	53.046				
VARIES			0.345159	0.368021	0.368019	0.368017	0.368014		
129.42	132.49								
Big City Radio, Inc.		U0897TAA7	03/17/98	03/15/05	72.055				
VARIES			0.294216	0.305698	0.310764	0.305697	0.310763		
111.29	112.50								
Caremark RX, Inc.		U14164104	09/29/99	10/01/29	100.000				
7.000			0.194444	0.194444	0.194444	0.194444	0.194444		
70.00	70.00								
CFW Communications		U15810AA9	07/26/00	08/15/10	96.149				
13.000	.82		0.005286	0.005649	0.006036	0.006450	0.006892		
2.07	2.36								
Crown Castle International		U2159JAA8	11/25/97	11/15/07	59.765				
VARIES			0.239936	0.252681	0.266104	0.280240	0.295127		
89.87	99.68								
VARIES		U2159JAB6	08/03/99	08/01/11	57.889				
78.16	87.20		0.201705	0.213050	0.225034	0.237692	0.251062		
Covad Communications		U22015AB4	03/11/98	03/11/08	50.666				
VARIES			0.270208	0.284151	0.308801	0.324736	0.352906		
105.36	120.41								
Dayton Superior Corporation		U23993AA3	06/16/00	06/11/09	95.575				

E. Spire Communications	U26851AA0	07/24/98	07/01/08	59.989
VARIES	0.227826	0.239927	0.252671	0.266092
84.20	93.38			
Fedders North America	U31334AB8	08/24/99	08/15/07	95.304
9.375	5.59	0.012088	0.013358	0.014043
4.64	5.12			
Focal Communications	U31430AA6	02/18/98	02/15/08	55.565
VARIES	0.250939	0.266152	0.282287	0.299401
97.34	109.50			
Frontier Vision Holdings	U31582AA4	12/09/98	09/15/07	82.149
VARIES	0.274033	0.287856	0.302378	0.300991
104.14	109.30			
Globe Holdings, Inc.	U33975AA8	08/06/98	08/01/09	49.672
VARIES	0.259362	0.277893	0.297747	0.319021
102.46	117.63			
Great Lakes Acquisition	U39022AA3	05/22/98	05/15/09	53.092
VARIES	0.265320	0.282731	0.301284	0.321054
100.30	113.90			
Hollywood Casino				
Shreveport	U4378HAA3	08/10/99	08/01/06	100.000
VARIES	0.377815	0.378945	0.380152	0.381440
136.57	137.49			
ICN Pharmaceuticals	U44929AF1	07/20/99	11/15/08	96.899
8.750	3.29	0.006785	0.007099	0.007428
2.53	2.77			
ICG Services, Inc.	U4493DAA2	02/12/98	02/15/08	61.341
VARIES	0.212915	0.227266	0.234739	0.250561
83.35	91.89			
VARIES	0.214375	0.221292	0.236067	0.243684
80.84	89.02			
Intermedia				
Communications, Inc.	U45855AE0	02/24/99	03/01/09	55.057
VARIES	0.224443	0.238190	0.252778	0.268260
86.67	97.62			
Level 3 Communications	U52782AB2	12/02/98	12/01/08	59.966
VARIES	0.214562	0.225826	0.237682	0.250160
79.96	88.58			
VARIES	0.203983	0.217112	0.231087	0.245961
78.67	89.12			

SECTION I-B

OID per

Daily OID Per \$1,000

\$1,000 of

Rate	1/1/01	Period	Period	2002 lat	Period	Period
2001	2002					
Liberty Media Corp.		U52892AD5	01/11/01	01/15/31	100.000	
3.500		0.263885	0.264061	0.271986	0.280287	0.288982
93.74	102.23					
McCaw International LTD		U56707AA7	03/06/97	04/15/07	50.991	
VARIES		0.301713	0.321861	0.343353	0.366281	0.366626
115.41	129.50					
Brightpoint, Inc.		U6223PAA7	03/11/98	03/11/18	45.289	
0.000	53.25	0.055559	0.056670	0.057803	0.058959	0.060138
20.45	21.27					
Muzak Holdings Finance		U62340AA9	03/18/99	03/15/10	53.328	
VARIES		0.232377	0.247481	0.263567	0.280699	0.298944
89.68	101.72					
Nextel Communications		U64977AB4	02/11/98	02/15/08	61.471	
VARIES		0.216814	0.227600	0.238923	0.250809	0.263287
83.00	91.47					
Nexstar Finance, Inc.		U6497AAA9	03/16/01	04/01/08	96.012	
12.000		0.010127	0.010183	0.010839	0.011537	0.012280
2.96	4.16					
Nextel International		U64982AA6	03/12/98	04/15/08	54.915	
VARIES		0.248152	0.261752	0.279139	0.294436	0.313994
95.48	107.40					
Nextlink Communications		U6500EAE8	11/17/99	12/01/09	55.257	
VARIES		0.208010	0.219415	0.233995	0.246824	0.263226
78.82	88.66					
NTL Incorporated		U6696AAC4	03/13/98	04/01/08	61.724	
VARIES		0.213633	0.224068	0.235013	0.246492	0.258531
80.71	88.79					
Omnicom Group, Inc.		U68191AF9	02/07/01	02/07/31	100.000	
0.000		0.186475	0.192734	0.199204	0.205890	
61.32	72.44					
O'Sullivan Industries		U68328AA8	11/30/99	10/15/09	94.546	
13.375	3.03	0.008347	0.008949	0.009594	0.010286	0.011029
3.21	3.69					
Penton Media, Inc.		U7100RAA9	06/28/01	06/15/11	97.749	
10.375		0.003656	0.003838	0.004044	0.004261	
.67	1.43					
Petro Stopping Centers		U71660AB7	07/23/99	08/01/08	36.636	
VARIES		0.228422	0.249774	0.273121	0.298650	0.326566
92.78	110.94					
Roche Holdings, Inc.		U75000AE6	01/19/00	01/19/15	66.386	
0.000	17.46	0.051408	0.052115	0.052832	0.053558	0.054294
18.86	19.39					
Steel Heddle Group, Inc.		U85799AA9	05/26/98	06/01/09	51.337	
VARIES		0.273916	0.292747	0.312873	0.334382	0.357370

VARIES 0.229789 0.244437 0.260019 0.276595 0.294227  
 86.75 98.16  
 Trump Atlantic City  
 Funding II U89685AA6 12/10/97 05/01/06 96.073  
 11.250 10.15 0.011049 0.011713 0.012416 0.013161 0.013951  
 4.18 4.70  
 Trump Atlantic City  
 Funding III U89686AA4 12/10/97 05/01/06 94.200  
 11.250 14.82 0.016220 0.017224 0.018290 0.019422 0.020624  
 6.14 6.93  
 VoiceStream Wireless U92709AB7 11/09/99 11/15/09 56.061  
 VARIES 0.207937 0.220283 0.233361 0.247217 0.261895  
 78.25 87.82

RESERVED FOR SECTION I-C

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Section II  
 STRIPPED COMPONENTS OF U.S. TREASURY AND  
 GOVERNMENT-SPONSORED ENTERPRISES

FOR BROKERS & MIDDLEMEN ONLY: Original Issue Discount (OID) to be  
 reported for stripped  
 interest & principal components per \$1000 Maturity Value (for calendar  
 year 2001).

OID	Strips Maturing		OID per \$1000	Strips Maturing	
	From	Through		From	Through
-----	-----	-----	-----	-----	-----
28.15	01/01/01	03/31/01	14.35	01/01/13	03/31/13
27.84	04/01/01	06/30/01	27.71	04/01/13	06/30/13
27.51	07/01/01	09/30/01	39.81	07/01/13	09/30/13
27.20	10/01/01	12/31/01	51.01	10/01/13	12/31/13

25.30	07/01/03	09/30/03	44.69	07/01/15	09/30/15
25.00	10/01/03	12/31/03	44.05	10/01/15	12/31/15
24.69	01/01/04	03/31/04	43.36	01/01/16	03/31/16
24.38	04/01/04	06/30/04	42.74	04/01/16	06/30/16
24.07	07/01/04	09/30/04	42.15	07/01/16	09/30/16
23.77	10/01/04	12/31/04	41.56	10/01/16	12/31/16
23.45	01/01/05	03/31/05	40.98	01/01/17	03/31/17
23.15	04/01/05	06/30/05	40.48	04/01/17	06/30/17
22.84	07/01/05	09/30/05	39.92	07/01/17	09/30/17
22.53	10/01/05	12/31/05	39.43	10/01/17	12/31/17
22.23	01/01/06	03/31/06	39.09	01/01/18	03/31/18
21.92	04/01/06	06/30/06	38.74	04/01/18	06/30/18
21.62	07/01/06	09/30/06	38.39	07/01/18	09/30/18
21.32	10/01/06	12/31/06	38.10	10/01/18	12/31/18
21.02	01/01/07	03/31/07	37.81	01/01/19	03/31/19
20.73	04/01/07	06/30/07	37.45	04/01/19	06/30/19
20.43	07/01/07	09/30/07	37.09	07/01/19	09/30/19
20.15	10/01/07	12/31/07	36.67	10/01/19	12/31/19
19.86	01/01/08	03/31/08	36.26	01/01/20	03/31/20
19.57	04/01/08	06/30/08	35.74	04/01/20	06/30/20
19.30	07/01/08	09/30/08	35.29	07/01/20	09/30/20
19.02	10/01/08	12/31/08	34.76	10/01/20	12/31/20
18.75	01/01/09	03/31/09	34.29	01/01/21	03/31/21
18.49	04/01/09	06/30/09	33.81	04/01/21	06/30/21
18.23	07/01/09	09/30/09	33.38	07/01/21	09/30/21

01/01/11	03/31/11	30.90	01/01/23	03/31/23
16.53				
04/01/11	06/30/11	30.55	04/01/23	06/30/23
16.30				
07/01/11	09/30/11	30.20	07/01/23	09/30/23
16.09				
10/01/11	12/31/11	29.85	10/01/23	12/31/23
15.87				
01/01/12	03/31/12	29.51	01/01/24	03/31/24
15.66				
04/01/12	06/30/12	29.16	04/01/24	06/30/24
15.44				
07/01/12	09/30/12	28.82	07/01/24	09/30/24
15.25				
10/01/12	12/31/12	28.49	10/01/24	12/31/24
15.04				

Section II (continued)

OID	Strips Maturing		OID	Strips Maturing	
	From	Through		From	Through
\$1000	per \$1000				per
-----	-----	-----	-----	-----	-----
9.47	01/01/25	03/31/25	14.85	07/01/33	09/30/33
9.35	04/01/25	06/30/25	14.64	10/01/33	12/31/33
9.22	07/01/25	09/30/25	14.46	01/01/34	03/31/34
9.10	10/01/25	12/31/25	14.26	04/01/34	06/30/34
8.97	01/01/26	03/31/26	14.09	07/01/34	09/30/34
8.85	04/01/26	06/30/26	13.90	10/01/34	12/31/34
8.73	07/01/26	09/30/26	13.73	01/01/35	03/31/35
8.62	10/01/26	12/31/26	13.54	04/01/35	06/30/35
8.50	01/01/27	03/31/27	13.38	07/01/35	09/30/35
8.39	04/01/27	06/30/27	13.20	10/01/35	12/31/35
8.28	07/01/27	09/30/27	13.04	01/01/36	03/31/36
	10/01/27	12/31/27	12.87	04/01/36	06/30/36

7.53	04/01/29	06/30/29	11.91	10/01/37	12/31/37
7.43	07/01/29	09/30/29	11.75	01/01/38	03/31/38
7.33	10/01/29	12/31/29	11.59	04/01/38	06/30/38
7.23	01/01/30	03/31/30	11.44	07/01/38	09/30/38
7.14	04/01/30	06/30/30	11.29	10/01/38	12/31/38
7.04	07/01/30	09/30/30	11.13	01/01/39	03/31/39
6.95	10/01/30	12/31/30	10.99	04/01/39	06/30/39
6.85	01/01/31	03/31/31	10.84	07/01/39	09/30/39
6.76	04/01/31	06/30/31	10.69	10/01/39	12/31/39
6.67	07/01/31	09/30/31	10.55	01/01/40	03/31/40
6.58	10/01/31	12/31/31	10.41	04/01/40	06/30/40
6.49	01/01/32	03/31/32	10.27	07/01/40	09/30/40
6.41	04/01/32	06/30/32	10.13	10/01/40	12/31/40
6.32	07/01/32	09/30/32	9.99	01/01/41	03/31/41
6.24	10/01/32	12/31/32	9.86	04/01/41	06/30/41
6.15	01/01/33	03/31/33	9.73	07/01/41	09/30/41
6.07	04/01/33	06/30/33	9.60	10/01/41	12/31/41

Note: This section lists OID for use SOLELY by brokers and other middlemen in preparing information returns for zero coupon instruments issued under the Department of the Treasury's STRIPS program, by government-sponsored enterprises such as the Resolution Funding Corporation and the Financing Corporation, or as instruments backed by U.S. Treasury securities that represent ownership interests in such securities. If you owned or held such debt instruments in 2001, do not rely on the amounts listed in this section. Instead, follow the OID

CUSIP Number	Maturity Date	Issue Date	Issue Price (% of Principal Amount)	Reported as 2001 Interest (Per \$1,000 Maturity Value)
912795SE6	01/04/01	01/06/00	94.292	57.08
912795FN6	01/11/01	07/13/00	96.994	30.06
912795KF7	01/16/01	01/02/01	99.750	2.50
912795FP1	01/18/01	07/20/00	96.959	30.41
FQ9	01/25/01	07/27/00	96.962	30.38
FR7	02/01/01	02/03/00	94.029	59.71
FSS	02/08/01	08/10/00	96.936	30.64
FT3	02/15/01	08/17/00	96.929	30.71
FU0	02/22/01	08/24/00	96.921	30.79
FV8	03/01/01	03/02/00	94.095	59.05
FW6	03/08/01	09/07/00	96.952	30.48
FX4	03/15/01	09/14/00	96.989	30.11
FY2	03/22/01	09/21/00	97.000	30.00
FZ9	03/29/01	09/28/00	96.974	30.26
912795GA3	04/05/01	10/05/00	96.946	30.54
GB1	04/12/01	10/12/00	96.939	30.61
912795KG5	04/16/01	04/03/01	99.819	1.81
912795GC9	04/19/01	10/19/00	96.972	30.28
912795KH3	04/23/01	04/19/01	99.950	0.50
912795GD7	04/26/01	10/26/00	96.941	30.59
GES	05/03/01	11/02/00	96.929	30.71
GP2	05/10/01	11/09/00	96.914	30.86
GG0	05/17/01	11/16/00	96.931	30.69
GHH	05/24/01	11/24/00	96.958	30.42
GJ4	05/31/01	06/01/00	93.933	60.67
GK1	06/07/01	12/07/00	97.048	29.52
GL9	06/14/01	12/14/00	97.073	29.27
912795KJ9	06/15/01	06/01/01	99.846	1.54
912795CM7	06/21/01	12/21/00	97.139	28.61
GNS	06/28/01	12/28/00	97.219	27.81
912795HA2	07/05/01	01/04/01	97.290	27.10
HC8	07/12/01	01/11/01	97.561	24.39
912795GP0	07/19/01	01/18/01	97.444	25.56
912795HD6	07/26/01	01/25/01	97.513	24.87
HE4	08/02/01	02/03/01	97.553	24.47
HG9	08/09/01	02/08/01	97.596	24.04
912795GQ8	08/16/01	02/15/01	97.601	23.99
912795HH7	08/23/01	02/22/01	97.589	24.11
HL8	08/30/01	08/31/00	94.055	59.45
HN4	09/06/01	03/08/01	97.710	22.90
912795GR6	09/13/01	03/15/01	97.765	22.35
912795HP9	09/20/01	03/22/01	97.867	21.33
HQ7	09/27/01	03/29/01	97.917	20.83
HR5	10/04/01	04/05/01	97.968	20.32
912795GS4	10/11/01	04/12/01	98.071	19.29
912795HS3	10/18/01	04/19/01	97.947	20.53

CUSIP Number	Maturity Date	Issue Date	Issue Price (% of Principal Amount)	Discount to be Reported as 2002 Interest (Per \$1,000 Maturity Value)
HU8	11/01/01	05/03/01	98.049	19.51
912795GT2	11/08/01	05/10/01	98.170	18.30
912795HV6	11/15/01	05/17/01	98.160	18.40
HW4	11/23/01	05/24/01	98.150	18.50
HM6	11/29/01	11/30/00	94.227	57.73
912795GU9	12/06/01	06/07/01	98.220	17.80
912795HX2	12/13/01	06/14/01	98.226	17.74
HY0	12/20/01	06/21/01	98.291	17.09
HZ7	12/27/01	06/28/01	98.311	16.89

Section III-B

STUDENT LOAN MARKETING ASSOCIATION  
Short-Term Obligations Issued at a  
Discount and Maturing in 2001

CUSIP Number	Maturity Date	Issue Date	Issue Price (% of Principal Amount)	Discount to be Reported as 2001 Interest (Per \$1,000 Maturity Value)
863873AB1	01/02/01	11/29/00	99.397	6.03
AC9	01/03/01	01/02/01	99.983	0.17
AD7	01/04/01	10/24/00	98.724	12.76
AE5	01/05/01	01/04/01	99.983	0.17

AY1	01/23/01	01/17/01	99.903	0.97
AZ8	01/24/01	01/10/01	99.778	2.22
863873BA2	01/25/01	01/05/01	99.681	3.19
BB0	01/26/01	01/10/01	99.746	2.54
BE4	01/29/01	12/20/00	99.299	7.01
BF1	01/30/01	01/29/01	99.985	0.15
BG9	01/31/01	01/22/01	99.858	1.42
BH7	02/01/01	01/31/01	99.985	0.15
BJ3	02/02/01	02/01/01	99.985	0.15
BM6	02/05/01	01/03/01	99.432	5.68
BN4	02/06/01	01/16/01	99.663	3.37
BP9	02/07/01	02/06/01	99.985	0.15
BQ7	02/08/01	02/07/01	99.985	0.15
BR5	02/09/01	01/09/01	99.513	4.87
BUB	02/12/01	02/09/01	99.956	0.44
BV6	02/13/01	02/12/01	99.985	0.15
BW4	02/14/01	01/08/01	99.419	5.81
BX2	02/15/01	10/26/00	98.034	19.66
BY0	02/16/01	02/15/01	99.986	0.14
863873CC7	02/20/01	01/25/01	99.598	4.02
CD5	02/21/01	02/20/01	99.986	0.14
CE3	02/22/01	02/21/01	99.986	0.14
CF0	02/23/01	01/29/01	99.622	3.78
CJ2	02/26/01	01/25/01	99.506	4.94
CK9	02/27/01	01/25/01	99.490	5.10
CL7	02/28/01	02/27/01	99.986	0.14
CM5	03/01/01	01/10/01	99.239	7.61
CN3	03/02/01	11/30/00	98.387	16.13
CR4	03/05/01	01/04/01	99.080	9.20
CS2	03/06/01	02/06/01	99.586	4.14
CT0	03/07/01	03/06/01	99.986	0.14

Section III-B (continued)

CUSIP Number	Maturity Date	Issue Date	Issue Price (% of Principal Amount)	Discount to be Reported as 2001 Interest (Per \$1,000 Maturity Value)
CU7	03/08/01	03/07/01	99.986	0.14
CV5	03/09/01	01/10/01	99.122	8.78
CY9	03/12/01	12/07/00	98.356	16.44
CZ6	03/13/01	03/01/01	99.828	1.72
863873DA0	03/14/01	03/13/01	99.987	0.13
DB8	03/15/01	10/26/00	97.562	24.38
DC6	03/16/01	01/31/01	99.357	6.43
DF9	03/19/01	02/20/01	99.600	4.00
DG7	03/20/01	02/15/01	99.512	4.88

DY8	04/05/01	03/29/01	99.904	0.96
DZ5	04/06/01	04/05/01	99.988	0.12
863873EC5	04/09/01	04/06/01	99.963	0.37
ED3	04/10/01	04/09/01	99.988	0.12
EE1	04/11/01	04/10/01	99.989	0.11
EP8	04/12/01	04/11/01	99.989	0.11
EG6	04/13/01	04/12/01	99.989	0.11
EK7	04/16/01	10/26/00	97.028	29.72
EL5	04/17/01	03/15/01	99.547	4.53
EM3	04/18/01	01/25/01	98.769	12.31
EN1	04/19/01	04/18/01	99.988	0.12
EP6	04/20/01	03/20/01	99.595	4.05
ES0	04/23/01	04/20/01	99.963	0.37
ET8	04/24/01	04/18/01	99.919	0.81
EU5	04/25/01	03/26/01	99.608	3.92
EV3	04/26/01	04/25/01	99.989	0.11
EW1	04/27/01	03/27/01	99.595	4.05
EZ4	04/30/01	04/27/01	99.967	0.33
863873FA8	05/01/01	04/02/01	99.615	3.85
FB6	05/02/01	05/01/01	99.988	0.12
FC4	05/03/01	05/02/01	99.988	0.12
FD2	05/04/01	05/03/01	99.988	0.12
FG5	05/07/01	05/04/01	99.965	0.35
FH3	05/08/01	05/07/01	99.988	0.12
FJ9	05/09/01	05/08/01	99.989	0.11
FK6	05/10/01	04/10/01	99.605	3.95

Section III-B (continued)

CUSIP Number	Maturity Date	Issue Date	Issue Price (% of Principal Amount)	Discount to be Reported as 2001 Interest (Per \$1,000 Maturity Value)
FL4	05/11/01	05/10/01	99.989	0.11
FP5	05/14/01	05/11/01	99.967	0.33
FQ3	05/15/01	10/26/00	96.544	34.56
FR1	05/16/01	05/15/01	99.989	0.11
FS9	05/17/01	05/16/01	99.989	0.11
FT7	05/18/01	04/18/01	99.597	4.03
FW0	05/21/01	04/20/01	99.631	3.69
FX8	05/22/01	05/21/01	99.989	0.11
FY6	05/23/01	05/22/01	99.990	0.10
FZ3	05/24/01	05/23/01	99.990	0.10
863873GA7	05/25/01	04/25/01	99.648	3.52
GE9	05/29/01	05/25/01	99.958	0.42
GP6	05/30/01	05/01/01	99.654	3.46
GG4	05/31/01	03/06/01	98.841	11.59

863873HA6	06/18/01	05/18/01	99.671	3.29
HB4	06/19/01	06/18/01	99.989	0.11
HC2	06/20/01	04/20/01	99.297	7.03
HD0	06/21/01	06/20/01	99.990	0.10
HE8	06/22/01	06/21/01	99.990	0.10
HH1	06/25/01	05/25/01	99.666	3.34
HJ7	06/26/01	05/30/01	99.710	2.90
HK4	06/27/01	03/27/01	98.842	11.58
HL2	06/28/01	06/27/01	99.990	0.10
HM0	06/29/01	11/28/00	96.344	36.56
HQ1	07/02/01	03/15/01	98.607	13.93
HR9	07/03/01	07/02/01	99.989	0.11
HT5	07/05/01	07/03/01	99.979	0.21
HU2	07/06/01	07/05/01	99.990	0.10
HX6	07/09/01	07/06/01	99.971	0.29
HY4	07/10/01	07/09/01	99.990	0.10
HZ1	07/11/01	07/10/01	99.990	0.10
863873JA4	07/12/01	07/11/01	99.990	0.10
JB2	07/13/01	07/12/01	99.990	0.10
JE6	07/16/01	10/26/00	95.514	44.86
JF3	07/17/01	07/16/01	99.990	0.10

Section III-B (continued)

CUSIP Number	Maturity Date	Issue Date	Issue Price (% of Principal Amount)	Discount to be Reported as 2001 Interest (Per \$1,000 Maturity Value)
JG1	07/18/01	04/18/01	98.852	11.48
JH9	07/19/01	07/18/01	99.990	0.10
JJ5	07/20/01	06/20/01	99.693	3.07
JM8	07/23/01	07/20/01	99.970	0.30
JN6	07/24/01	06/26/01	99.725	2.75
JP1	07/25/01	05/11/01	99.204	7.96
JQ9	07/26/01	07/25/01	99.990	0.10
JR7	07/27/01	07/26/01	99.990	0.10
JU0	07/30/01	07/27/01	99.969	0.31
JV8	07/31/01	07/30/01	99.990	0.10
JW6	08/01/01	07/02/01	99.700	3.00
JX4	08/02/01	07/26/01	99.929	0.71
863873KB8	08/07/01	08/06/01	99.990	0.10
KD6	08/08/01	08/07/01	99.990	0.10
KE4	08/09/01	07/26/01	99.859	1.41
KF1	08/10/01	08/09/01	99.990	0.10
KJ3	08/13/01	08/10/01	99.970	0.30
KK0	08/14/01	08/13/01	99.990	0.10

LB9	08/30/01	08/29/01	99.990	0.10
LC7	08/31/01	08/30/01	99.990	0.10
LG8	09/04/01	08/01/01	99.663	3.37
LH6	09/05/01	09/04/01	99.990	0.10
LJ2	09/06/01	08/30/01	99.933	0.67
LK9	09/07/01	08/07/01	99.696	3.04
LN3	09/10/01	09/07/01	99.972	0.28
LP8	09/11/01	09/10/01	99.991	0.09
LQ6	09/12/01	09/11/01	99.991	0.09
LV5	09/17/01	10/26/00	94.503	54.97
LW3	09/18/01	08/20/01	99.725	2.75
LX1	09/19/01	09/17/01	99.984	0.16
LY9	09/20/01	08/20/01	99.706	2.94
LZ6	09/21/01	09/18/01	99.980	0.20
863873MC6	09/24/01	08/24/01	99.712	2.88
MD4	09/25/01	08/27/01	99.729	2.71
ME2	09/26/01	09/25/01	99.992	0.08

Section III-B (continued)

CUSIP Number	Maturity Date	Issue Date	Issue Price (% of Principal Amount)	Discount to be Reported as 2001 Interest (Per \$1,000 Maturity Value)
MP9	09/27/01	09/26/01	99.992	0.08
MG7	09/28/01	08/23/01	99.665	3.35
MK8	10/01/01	07/16/01	99.241	7.59
MZ5	10/15/01	09/17/01	99.741	2.59
863873NA9	10/16/01	10/26/00	94.034	59.66
NC5	10/18/01	07/18/01	99.095	9.05
NG6	10/22/01	09/20/01	99.773	2.27
NK7	10/25/01	07/25/01	99.111	8.89
863873PE9	11/13/01	11/14/00	93.893	61.07
PN9	11/21/01	09/21/01	99.653	3.47
863873QQ1	12/17/01	01/25/01	95.572	44.28

Section III-C

FEDERAL HOME LOAN BANKS  
Short-Term Obligations Issued at a  
Discount and Maturing in 2001

CUSIP	Maturity	Issue	Issue Price (% of Principal)	Discount to be Reported as 2001 Interest (Per \$1,000)
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AR7	01/16/01	01/27/00	94.162	58.38
AS5	01/17/01	04/18/00	95.342	46.58
AT3	01/18/01	01/24/00	94.070	59.30
AU0	01/19/01	01/26/00	94.106	58.94
AX4	01/22/01	01/28/00	94.078	59.22
AY2	01/23/01	01/31/00	94.053	59.47
AZ9	01/24/01	04/24/00	95.348	46.52
313385BA3	01/25/01	01/31/00	94.010	59.90
BB1	01/26/01	02/01/00	93.980	60.20
BE5	01/29/01	02/04/00	93.970	60.30
BF2	01/30/01	02/10/00	94.014	59.86
BG0	01/31/01	03/27/00	94.700	53.00
BH8	02/01/01	02/07/00	93.902	60.98
BJ4	02/02/01	02/08/00	93.940	60.60
BM7	02/05/01	02/11/00	93.941	60.59
BNS	02/06/01	02/14/00	93.984	60.16
BP0	02/07/01	02/15/00	93.984	60.16
BQ8	02/08/01	02/16/00	93.994	60.06
BR6	02/09/01	02/16/00	93.957	60.43
BU9	02/12/01	02/18/00	93.904	60.96
BV7	02/13/01	02/22/00	93.991	60.09
BW5	02/14/01	02/22/00	93.944	60.56
BX3	02/15/01	02/22/00	93.927	60.73
BY1	02/16/01	02/22/00	93.914	60.86
313385CC8	02/20/01	02/28/00	93.947	60.53
CD6	02/21/01	02/29/00	93.959	60.41
CE4	02/22/01	05/24/00	94.946	50.54
CF1	02/23/01	02/29/00	93.940	60.60
CJ3	02/26/01	03/03/00	93.970	60.30
CK0	02/27/01	08/28/00	96.772	32.28
CL8	02/28/01	05/18/00	94.725	52.75
CM6	03/01/01	03/06/00	93.970	60.30
CN4	03/02/01	03/07/00	93.950	60.50
CR5	03/05/01	03/10/00	93.962	60.38
CS3	03/06/01	03/13/00	93.984	60.16
CT1	03/07/01	03/13/00	93.968	60.32
CU8	03/08/01	03/14/00	93.967	60.33
CV6	03/09/01	03/14/00	93.932	60.68

Section III-C (continued)

CUSIP Number	Maturity Date	Issue Date	Issue Price (% of Principal Amount)	Discount to be Reported as 2001 Interest (Per \$1,000 Maturity Value)
CY0	03/12/01	03/17/00	93.899	61.01
CZ7	03/13/01	03/20/00	93.924	60.76

DR4	03/29/01	04/10/00	93.970	60.30
D52	03/30/01	04/04/00	93.810	61.90
DV5	04/02/01	04/07/00	93.850	61.50
DW3	04/03/01	07/03/00	95.091	49.09
DX1	04/04/01	10/04/00	96.805	31.95
DY9	04/05/01	04/10/00	93.840	61.60
DZ6	04/06/01	04/11/00	93.840	61.60
313385EC6	04/09/01	04/14/00	93.850	61.50
ED4	04/10/01	07/20/00	95.321	46.79
EE2	04/11/01	05/03/00	93.893	61.07
EF9	04/12/01	04/18/00	93.867	61.33
EG7	04/13/01	04/12/01	99.987	0.13
EK8	04/16/01	07/05/00	94.949	50.51
EL6	04/17/01	04/26/00	93.869	61.31
EM4	04/18/01	07/20/00	95.169	48.31
EN2	04/19/01	07/19/00	95.137	48.63
EP7	04/20/01	04/25/00	93.832	61.68
ES1	04/23/01	04/28/00	93.680	63.20
ET9	04/24/01	05/03/00	93.641	63.59
EU6	04/25/01	05/11/00	93.640	63.60
EV4	04/26/01	05/01/00	93.620	63.80
EW2	04/27/01	05/02/00	93.586	64.14
EZ5	04/30/01	05/05/00	93.475	65.25
313385FA9	05/01/01	05/08/00	93.536	64.64
FB7	05/02/01	05/08/00	93.460	65.40
FC5	05/03/01	05/08/00	93.440	65.60
FD3	05/04/01	05/10/00	93.441	65.59
FG6	05/07/01	05/12/00	93.411	65.89
FH4	05/08/01	11/09/00	96.885	31.15
FJ0	05/09/01	08/11/00	95.295	47.05
FK7	05/10/01	05/16/00	93.418	65.82
FL5	05/11/01	05/17/00	93.340	66.60
FP6	05/14/01	05/19/00	93.304	66.96
FQ4	05/15/01	05/22/00	93.337	66.63

Section III-C (continued)

CUSIP Number	Maturity Date	Issue Date	Issue Price (% of Principal Amount)	Discount to be Reported as 2001 Interest (Per \$1,000 Maturity Value)
FR2	05/16/01	08/10/00	95.156	48.44
FS0	05/17/01	05/23/00	93.349	66.51
FT8	05/18/01	05/23/00	93.330	66.70
FW1	05/21/01	05/26/00	93.330	66.70
FX9	05/22/01	06/02/00	93.471	65.29
FY7	05/23/01	11/22/00	96.826	31.74

GT7	06/11/01	06/16/00	93.570	64.30
GU4	06/12/01	09/12/00	95.268	47.32
GV2	06/13/01	06/23/00	93.630	63.70
GW0	06/14/01	06/19/00	93.560	64.40
GX8	06/15/01	06/20/00	93.550	64.50
313385HA7	06/18/01	06/23/00	93.540	64.60
HB5	06/19/01	09/20/00	95.316	46.84
HC3	06/20/01	06/26/00	93.558	64.42
HD1	06/21/01	06/26/00	93.530	64.70
HE9	06/22/01	06/27/00	93.538	64.62
HH2	06/25/01	06/30/00	93.570	64.30
HJ8	06/26/01	09/28/00	95.318	46.82
HK5	06/27/01	09/27/00	95.298	47.02
HL3	06/28/01	07/03/00	93.551	64.49
HM1	06/29/01	07/05/00	93.608	63.92
HQ2	07/02/01	07/07/00	93.640	63.60
HR0	07/03/01	10/06/00	95.358	46.42
HT6	07/05/01	12/15/00	96.706	32.94
HU3	07/06/01	07/11/00	93.670	63.30
HX7	07/09/01	07/17/00	93.723	62.77
HY5	07/10/01	01/05/01	97.375	26.25
HZ2	07/11/01	12/14/00	96.579	34.21
313385JA5	07/12/01	07/17/00	93.646	63.54
JB3	07/13/01	07/19/00	93.638	63.62
JE7	07/16/01	07/21/00	93.601	63.99
JF4	07/17/01	07/28/00	93.726	62.74
JG2	07/18/01	10/25/00	95.463	45.37
JH0	07/19/01	07/24/00	93.620	63.80
JJ6	07/20/01	07/25/00	93.620	63.80
JM9	07/23/01	07/28/00	93.620	63.80

Section III-C (continued)

CUSIP Number	Maturity Date	Issue Date	Issue Price (% of Principal Amount)	Discount to be Reported as 2001 Interest (Per \$1,000 Maturity Value)
JN7	07/24/01	08/03/00	93.689	63.11
JP2	07/25/01	09/27/00	94.858	51.42
JQ0	07/26/01	08/02/00	93.636	63.64
JR8	07/27/01	08/01/00	93.600	64.00
JU1	07/30/01	08/04/00	93.620	63.80
JV9	07/31/01	09/29/00	94.798	52.02
JW7	08/01/01	08/15/00	93.877	61.23
JX5	08/02/01	10/03/00	94.832	51.68
JY3	08/03/01	08/09/00	93.755	62.45
313385KB1	08/06/01	08/15/00	93.790	62.10

CUSIP Number	Maturity Date	Issue Date	Issue Price (% of Principal Amount)	Discount to be Reported as 2001 Interest (Per \$1,000 Maturity Value)
KT2	08/22/01	09/01/00	93.817	61.83
KU9	08/23/01	08/28/00	93.740	62.60
KV7	08/24/01	08/31/00	93.765	62.35
KY1	08/27/01	09/01/00	93.753	62.47
KZ8	08/28/01	09/07/00	93.866	61.34
313385LA2	08/29/01	12/01/00	95.461	45.39
LB0	08/30/01	02/23/01	97.462	25.38
LC8	08/31/01	09/05/00	93.780	62.20
LG9	09/04/01	09/11/00	93.844	61.56
LH7	09/05/01	09/19/00	94.004	59.96
LJ3	09/06/01	09/11/00	93.800	62.00
LK0	09/07/01	09/13/00	93.837	61.63
LN4	09/10/01	09/15/00	93.847	61.53
LP9	09/11/01	12/11/00	95.570	44.30
LQ7	09/12/01	12/12/00	95.578	44.22
LR5	09/13/01	09/18/00	93.850	61.50
LS3	09/14/01	09/19/00	93.890	61.10
LV6	09/17/01	09/22/00	93.873	61.27
LW4	09/18/01	12/20/00	95.731	42.69
LX2	09/19/01	01/30/01	96.829	31.71
LY0	09/20/01	09/25/00	93.880	61.20
LZ7	09/21/01	09/26/00	93.880	61.20
313385MC7	09/24/01	09/29/00	93.880	61.20
MD5	09/25/01	10/03/00	93.921	60.79
ME3	09/26/01	10/03/00	93.914	60.86
MP0	09/27/01	10/02/00	93.880	61.20
MG8	09/28/01	10/03/00	93.870	61.30
MK9	10/01/01	10/06/00	93.886	61.14
ML7	10/02/01	01/05/01	96.325	36.75
MM5	10/03/01	04/04/01	97.802	21.98
MN3	10/04/01	12/07/00	95.167	48.33
MP8	10/05/01	10/16/00	94.031	59.69
MT0	10/09/01	01/09/01	96.299	37.01
MU7	10/10/01	10/16/00	93.957	60.43
MV5	10/11/01	10/18/00	93.994	60.06
MW3	10/12/01	10/17/00	93.931	60.69
MZ6	10/15/01	10/20/00	93.940	60.60
313385NA0	10/16/01	10/26/00	94.044	59.56
NB8	10/17/01	04/17/01	97.814	21.86
NC6	10/18/01	10/23/00	93.950	60.50

Section III-C (continued)

NW2	11/05/01	01/04/01	95.764	42.36
NX0	11/06/01	01/05/01	95.764	42.36
NY8	11/07/01	05/09/01	98.086	19.14
NZ5	11/08/01	11/14/00	93.977	60.23
313385PA8	11/09/01	11/16/00	93.994	60.06
PE0	11/13/01	01/29/01	96.120	38.80
PF7	11/14/01	01/17/01	95.824	41.76
PG5	11/15/01	01/04/01	95.625	43.75
PH3	11/16/01	11/21/00	93.960	60.40
PL4	11/19/01	02/01/01	96.169	38.31
PM2	11/20/01	08/14/01	99.102	8.98
PNO	11/21/01	11/28/00	94.004	59.96
PQ3	11/23/01	11/28/00	93.970	60.30
PT7	11/26/01	02/01/01	96.143	38.57
PU4	11/27/01	02/28/01	96.547	34.53
PV2	11/28/01	12/29/00	94.962	50.38
PW0	11/29/01	02/28/01	96.530	34.70
PX8	11/30/01	12/06/00	94.166	58.34
313385QA7	12/03/01	12/11/00	94.338	56.62
QB5	12/04/01	12/11/00	94.322	56.78
QC3	12/05/01	01/31/01	95.979	40.21
QD1	12/06/01	12/13/00	94.332	56.68

Section III-C (continued)

CUSIP Number	Maturity Date	Issue Date	Issue Price (% of Principal Amount)	Discount to be Reported as 2001 Interest (Per \$1,000 Maturity Value)
QE9	12/07/01	12/12/00	94.300	57.00
QH2	12/10/01	12/15/00	94.352	56.48
QJ8	12/11/01	12/22/00	94.680	53.20
QK5	12/12/01	12/18/00	94.390	56.10
QL3	12/13/01	12/20/00	94.550	54.50
QM1	12/14/01	12/19/00	94.470	55.30
QQ2	12/17/01	04/19/01	97.205	27.95
QRO	12/18/01	12/27/00	94.680	53.20
QS8	12/19/01	03/23/01	96.823	31.77
QT6	12/20/01	03/21/01	96.773	32.27
QU3	12/21/01	12/26/00	94.620	53.80
QX7	12/24/01	12/29/00	94.650	53.50
QZ2	12/26/01	06/13/01	98.024	19.76
313385RA6	12/27/01	01/04/01	95.121	48.79
RB4	12/28/01	01/04/01	94.905	50.95
RE8	12/31/01	01/05/01	94.989	50.11

Section III-D

AC7	01/03/01	09/05/00	97.877	21.23
AD5	01/04/01	07/05/00	96.715	32.85
AE3	01/05/01	02/29/00	94.817	51.83
AH6	01/09/01	03/30/00	95.101	48.99
AJ2	01/09/01	09/11/00	97.870	21.30
AK9	01/10/01	03/30/00	95.067	49.33
AL7	01/11/01	07/12/00	96.725	32.75
AM5	01/12/01	01/20/00	94.093	59.07
AQ6	01/15/01	05/04/00	95.463	45.37
AR4	01/16/01	01/26/00	94.146	58.54
AS2	01/17/01	01/28/00	94.113	58.87
AT0	01/18/01	01/28/00	94.096	59.04
AU7	01/19/01	01/26/00	94.096	59.04
AX1	01/22/01	02/02/00	93.935	60.65
AY9	01/23/01	09/25/00	97.877	21.23
AZ6	01/24/01	08/24/00	97.301	26.99
313589BA0	01/25/01	02/01/00	93.937	60.63
BB8	01/26/01	02/01/00	93.840	61.60
BE2	01/29/01	02/04/00	93.970	60.30
BF9	01/30/01	08/29/00	97.267	27.33
BG7	01/31/01	05/26/00	95.403	45.97
BH5	02/01/01	02/07/00	93.940	60.60
BJ1	02/02/01	02/10/00	93.954	60.46
BM4	02/05/01	09/05/00	97.301	26.99
BN2	02/06/01	09/05/00	97.284	27.16
BP7	02/07/01	09/07/00	97.310	26.90
BQ5	02/08/01	08/09/00	96.762	32.38
BR3	02/09/01	10/02/00	97.689	23.11
BU6	02/12/01	05/08/00	94.952	50.48
BV4	02/13/01	05/17/00	94.968	50.32
BW2	02/14/01	05/05/00	94.902	50.98
BX0	02/15/01	07/26/00	96.385	36.15
BY8	02/16/01	06/08/00	95.432	45.68
313589CC5	02/20/01	05/22/00	94.923	50.77
CD3	02/21/01	03/01/00	94.000	60.00
CE1	02/22/01	08/23/00	96.767	32.33
CF8	02/23/01	03/01/00	93.967	60.33
CJ0	02/26/01	01/02/01	99.059	9.41
CK7	02/27/01	09/27/00	97.301	26.99
CL5	02/28/01	09/29/00	97.327	26.73
CM3	03/01/01	06/01/00	94.942	50.58
CN1	03/02/01	06/01/00	94.916	50.84
CR2	03/05/01	10/02/00	97.288	27.12
CS0	03/06/01	06/05/00	95.053	49.47
CT8	03/07/01	06/05/00	95.035	49.65
CU5	03/08/01	09/06/00	96.782	32.18
CV3	03/09/01	04/26/00	94.576	54.24
CY7	03/12/01	06/13/00	95.089	49.11

Section III-D (continued)

DC4	03/16/01	01/11/01	99.028	9.72
DF7	03/19/01	03/24/00	93.850	61.50
DG5	03/20/01	03/30/00	93.837	61.63
DH3	03/21/01	03/28/00	93.805	61.95
DJ9	03/22/01	03/28/00	93.787	62.13
DK6	03/23/01	03/30/00	93.785	62.15
DN0	03/26/01	04/03/00	93.792	62.08
DP5	03/27/01	06/27/00	95.094	49.06
DQ3	03/28/01	04/04/00	93.785	62.15
DR1	03/29/01	09/27/00	96.790	32.10
DS9	03/30/01	06/26/00	95.014	49.86
DV2	04/02/01	05/01/00	94.120	58.80
DW0	04/03/01	11/03/00	97.353	26.47
DX8	04/04/01	07/06/00	95.164	48.36
DY6	04/05/01	10/04/00	96.792	32.08
DZ3	04/06/01	04/14/00	93.881	61.19
313589EC3	04/09/01	04/14/00	93.840	61.60
ED1	04/10/01	12/07/00	97.875	21.25
EE9	04/11/01	06/01/00	94.191	58.09
EF6	04/12/01	04/18/00	93.837	61.63
EG4	04/13/01	07/14/00	95.169	48.31
EK5	04/16/01	04/25/00	93.899	61.01
EL3	04/17/01	07/14/00	95.099	49.01
EM1	04/18/01	04/24/00	93.857	61.43
EN9	04/19/01	04/27/00	93.852	61.48
EP4	04/20/01	11/20/00	97.366	26.34
ES8	04/23/01	04/28/00	93.680	63.20
ET6	04/24/01	06/21/00	94.517	54.83
EU3	04/25/01	11/28/00	97.410	25.90
EV1	04/26/01	10/25/00	96.819	31.81
EW9	04/27/01	12/15/00	97.746	22.54
EZ2	04/30/01	09/21/00	96.157	38.43
313589FA6	05/01/01	08/03/00	95.212	47.88
FB4	05/02/01	05/09/00	93.476	65.24
FC2	05/03/01	08/02/00	95.129	48.71
FD0	05/04/01	05/11/00	93.476	65.24
FG3	05/07/01	08/09/00	95.258	47.42
FH1	05/08/01	08/10/00	95.258	47.42
FJ7	05/09/01	05/16/00	93.437	65.63
FK4	05/10/01	05/18/00	93.356	66.44
FL2	05/11/01	05/17/00	93.349	66.51
FP3	05/14/01	08/11/00	95.178	48.22
FQ1	05/15/01	05/22/00	93.357	66.43
FR9	05/16/01	05/24/00	93.386	66.14
FS7	05/17/01	05/25/00	93.356	66.44
FT5	05/18/01	05/23/00	93.330	66.70

Section III-D (continued)

GE7	05/29/01	09/21/00	95.667	43.33
GF4	05/30/01	06/05/00	93.518	64.82
GG2	05/31/01	11/29/00	96.830	31.70
GH0	06/01/01	06/07/00	93.508	64.92
GL1	06/04/01	06/09/00	93.480	65.20
GM9	06/05/01	06/13/00	93.515	64.85
GN7	06/06/01	06/12/00	93.478	65.22
GP2	06/07/01	06/12/00	93.460	65.40
GQ0	06/08/01	06/13/00	93.540	64.60
GT4	06/11/01	06/16/00	93.530	64.70
GU1	06/12/01	06/20/00	93.594	64.06
GV9	06/13/01	06/22/00	93.602	63.98
GW7	06/14/01	06/19/00	93.550	64.50
GX5	06/15/01	06/21/00	93.568	64.32
313589HA4	06/18/01	06/26/00	93.564	64.36
HB2	06/19/01	09/18/00	95.274	47.26
HC0	06/20/01	06/26/00	93.538	64.62
HD8	06/21/01	06/27/00	93.548	64.52
HE6	06/22/01	06/28/00	93.538	64.62
HH9	06/25/01	07/03/00	93.604	63.96
HJ5	06/26/01	01/23/01	97.806	21.94
HK2	06/27/01	08/28/00	94.672	53.28
HL0	06/28/01	07/03/00	93.560	64.40
HM8	06/29/01	07/05/00	93.598	64.02
HQ9	07/02/01	07/07/00	93.670	63.30
HR7	07/03/01	07/11/00	93.703	62.97
HT3	07/05/01	11/02/00	95.815	41.85
HU0	07/06/01	07/11/00	93.650	63.50
HX4	07/09/01	07/14/00	93.610	63.90
HY2	07/10/01	07/17/00	93.616	63.84
HZ9	07/11/01	07/18/00	93.586	64.14
313589JA2	07/12/01	07/19/00	93.596	64.04
JB0	07/13/01	07/18/00	93.550	64.50
JE4	07/16/01	07/21/00	93.610	63.90
JF1	07/17/01	02/20/01	97.979	20.21
JG9	07/18/01	10/19/00	95.353	46.47
JH7	07/19/01	07/25/00	93.618	63.82
JJ3	07/20/01	09/22/00	94.883	51.17
JM6	07/23/01	08/01/00	93.641	63.59
JN4	07/24/01	08/04/00	93.776	62.24
JP9	07/25/01	08/09/00	93.885	61.15
JQ7	07/26/01	08/02/00	93.636	63.64
JR5	07/27/01	08/01/00	93.570	64.30
JU8	07/30/01	08/31/00	94.172	58.28

Section III-D (continued)

Discount to be

CUSIP	Maturity	Issue	Issue Price (% of Principal)	Discount to be Reported as 2001 Interest (Per \$1,000)
KB2	08/09/01	08/14/00	93.580	63.20
KF9	08/10/01	08/15/00	93.700	63.00
KJ1	08/13/01	08/18/00	93.700	63.00
KK8	08/14/01	08/31/00	93.920	60.80
KL6	08/15/01	08/24/00	93.800	62.00
KN4	08/16/01	08/22/00	93.718	62.82
KN2	08/17/01	08/22/00	93.700	63.00
KR3	08/20/01	08/25/00	93.720	62.80
KS1	08/21/01	01/23/01	97.101	28.99
KT9	08/22/01	08/28/00	93.718	62.82
KU6	08/23/01	08/28/00	93.700	63.00
KV4	08/24/01	08/29/00	93.710	62.90
KY8	08/27/01	09/07/00	93.874	61.26
KZ5	08/28/01	11/02/00	94.892	51.08
313589LA9	08/29/01	10/26/00	94.755	52.45
LB7	08/30/01	09/05/00	93.797	62.03
LC5	08/31/01	09/05/00	93.750	62.50
LG6	09/04/01	09/12/00	93.852	61.48
LH4	09/05/01	09/11/00	93.797	62.03
LJ0	09/06/01	09/11/00	93.770	62.30
LK7	09/07/01	09/12/00	93.800	62.00
LN1	09/10/01	09/15/00	93.810	61.90
LP6	09/11/01	04/09/01	98.166	18.34
LQ4	09/12/01	09/19/00	93.864	61.36
LR2	09/13/01	02/05/01	97.030	29.70
LS0	09/14/01	09/19/00	93.870	61.30
LV3	09/17/01	09/28/00	93.962	60.38
LW1	09/18/01	02/06/01	96.970	30.30
LX9	09/19/01	01/23/01	96.740	32.60
LY7	09/20/01	09/25/00	93.850	61.50
LZ4	09/21/01	09/26/00	93.850	61.50
313589MC4	09/24/01	09/29/00	93.860	61.40
MD2	09/25/01	10/03/00	93.921	60.79
ME0	09/26/01	12/19/00	95.488	45.12
MF7	09/27/01	10/02/00	93.870	61.30
MG5	09/28/01	10/04/00	93.887	61.13
MK6	10/01/01	02/01/01	96.827	31.73
ML4	10/02/01	01/02/01	95.822	41.78
MM2	10/03/01	04/27/01	98.220	17.80
MN0	10/04/01	01/04/01	95.943	40.57
MP5	10/05/01	10/11/00	93.888	61.12
MT7	10/09/01	02/14/01	96.827	31.73

Section III-D (continued)

CUSIP Number	Maturity Date	Issue Date	Issue Price (% of Principal Amount)	Discount to be Reported as 2001 Interest (Per \$1,000 Maturity Value)
NH2	10/23/01	01/23/01	96.322	36.78
NJ8	10/24/01	11/13/00	94.125	58.75
NK5	10/25/01	02/15/01	96.570	34.30
NL3	10/26/01	04/03/01	97.545	24.55
NP4	10/29/01	02/26/01	96.869	31.31
NQ2	10/30/01	02/02/01	96.438	35.62
NR0	10/31/01	02/05/01	96.404	35.96
NS8	11/01/01	01/04/01	95.819	41.81
NT6	11/02/01	11/08/00	93.917	60.83
NW9	11/05/01	12/05/00	94.519	54.81
NX7	11/06/01	02/20/01	96.532	34.68
NY5	11/07/01	12/01/00	94.402	55.98
NZ2	11/08/01	12/11/00	94.670	53.30
313589PA5	11/09/01	12/13/00	94.722	52.78
PE7	11/13/01	02/02/01	96.213	37.87
PF4	11/14/01	02/06/01	96.246	37.54
PG2	11/15/01	02/05/01	96.219	37.81
PH0	11/16/01	11/21/00	93.950	60.50
PL1	11/19/01	02/12/01	96.306	36.94
PM9	11/20/01	02/09/01	96.237	37.63
PN7	11/21/01	03/19/01	97.022	29.78
PQ0	11/23/01	03/20/01	97.010	29.90
PT4	11/26/01	07/27/01	98.824	11.76
PU1	11/27/01	07/27/01	98.814	11.86
PV9	11/28/01	02/07/01	96.080	39.20
PW7	11/29/01	05/30/01	98.089	19.11
PX5	11/30/01	12/06/00	94.279	57.21
313589QA4	12/03/01	02/01/01	96.069	39.31
QB2	12/04/01	03/14/01	96.732	32.68
QC0	12/05/01	02/21/01	96.197	38.03
QD8	12/06/01	02/05/01	95.955	40.45
QE6	12/07/01	02/01/01	96.017	39.83
QH9	12/10/01	02/05/01	95.902	40.98
QJ5	12/11/01	04/09/01	97.164	28.36
QK2	12/12/01	02/06/01	95.889	41.11
QL0	12/13/01	02/08/01	95.902	40.98
QM8	12/14/01	12/20/00	94.537	54.63
QQ9	12/17/01	02/06/01	95.813	41.87
QR7	12/18/01	08/20/01	98.900	11.00
QS5	12/19/01	03/12/01	96.420	35.80

Section III-D (continued)

Consolidated Systemwide Discount Notes

Short-Term Obligations Issued at a  
Discount and Maturing in 2001

CUSIP Number	Maturity Date	Issue Date	Issue Price (% of Principal Amount)	Discount to be Reported as 2001 Interest (per \$1,000 Maturity Value)
313313AB4	01/02/01	01/07/00	94.084	59.16
AC2	01/03/01	08/17/00	97.521	24.79
AD0	01/04/01	10/04/00	98.357	16.43
AEB	01/05/01	01/06/00	94.018	59.82
AH1	01/08/01	09/28/00	98.184	18.16
AJ7	01/09/01	01/10/00	93.998	60.02
AK4	01/10/01	04/27/00	95.585	44.15
AL2	01/11/01	01/12/00	93.978	60.22
AM0	01/12/01	03/16/00	94.933	50.67
AR9	01/16/01	01/27/00	94.123	58.77
AS7	01/17/01	10/24/00	98.484	15.16
AT5	01/18/01	01/19/00	93.927	60.73
AU2	01/19/01	01/21/00	93.964	60.36
AX6	01/22/01	10/20/00	98.324	16.76
AY4	01/23/01	01/24/00	93.937	60.63
AZ1	01/24/01	01/25/00	93.937	60.63
313313BA5	01/25/01	11/09/00	98.620	13.80
BB3	01/26/01	01/27/00	93.957	60.43
BE7	01/29/01	02/07/00	93.961	60.39
BF4	01/30/01	01/31/00	93.876	61.24
BG2	01/31/01	11/08/00	98.497	15.03
BH0	02/01/01	02/02/00	93.795	62.05
BJ6	02/02/01	02/07/00	93.893	61.07
BM9	02/05/01	02/09/00	93.856	61.44
BN7	02/06/01	02/07/00	93.825	61.75
BP2	02/07/01	11/09/00	98.390	16.10
BQ0	02/08/01	02/09/00	93.805	61.95
BR8	02/09/01	02/10/00	93.795	62.05
BU1	02/12/01	11/14/00	98.395	16.05
BV9	02/13/01	10/31/00	98.125	18.75
BW7	02/14/01	11/16/00	98.400	16.00
BX5	02/15/01	08/15/00	96.729	32.71
BY3	02/16/01	05/24/00	95.042	49.58
313313CC0	02/20/01	11/20/00	98.364	16.36
CD8	02/21/01	10/03/00	97.501	24.99
CE6	02/22/01	02/23/00	93.795	62.05
CF3	02/23/01	03/03/00	93.981	60.19
CJ5	02/26/01	12/07/00	98.574	14.26
CK2	02/27/01	08/30/00	96.782	32.18
CL0	02/28/01	12/12/00	98.626	13.74

CUSIP Number	Maturity Date	Issue Date	Issue Price (% of Principal Amount)	Discount to be Reported as 2001 Interest (Per \$1,000 Maturity Value)
CV8	03/09/01	11/20/00	98.074	19.26
CY2	03/12/01	09/12/00	96.802	31.98
CZ9	03/13/01	03/13/00	93.836	61.64
313313DA3	03/14/01	11/28/00	98.116	18.84
DB1	03/15/01	03/15/00	93.795	62.05
DC9	03/16/01	11/22/00	97.986	20.14
DF2	03/19/01	11/22/00	97.933	20.67
DG0	03/20/01	11/30/00	98.066	19.34
DH8	03/21/01	12/13/00	98.299	17.01
DJ4	03/22/01	10/04/00	97.024	29.76
DK1	03/23/01	03/24/00	93.772	62.28
DN5	03/26/01	11/22/00	97.809	21.91
DP0	03/27/01	12/22/00	98.396	16.04
DQ8	03/28/01	12/26/00	98.446	15.54
DR6	03/29/01	12/27/00	98.444	15.56
DS4	03/30/01	03/30/00	93.623	63.77
DV7	04/02/01	06/16/00	94.780	52.20
DW5	04/03/01	04/03/00	93.633	63.67
DX3	04/04/01	12/22/00	98.280	17.20
DY1	04/05/01	10/05/00	96.800	32.00
DZ8	04/06/01	12/26/00	98.311	16.89
313313EC8	04/09/01	11/21/00	97.568	24.32
ED6	04/10/01	12/27/00	98.264	17.36
EE4	04/11/01	04/12/00	93.751	62.49
EF1	04/12/01	04/12/00	93.734	62.66
EK0	04/16/01	10/20/00	96.900	31.00
EL8	04/17/01	12/28/00	98.167	18.33
EM6	04/18/01	11/30/00	97.571	24.29
EN4	04/19/01	04/19/00	93.734	62.66
EP9	04/20/01	04/20/00	93.724	62.76
ES3	04/23/01	01/22/01	98.650	13.50
ET1	04/24/01	04/24/00	93.724	62.76
EU8	04/25/01	12/13/00	97.724	22.76
EV6	04/26/01	12/22/00	97.920	20.80
EW4	04/27/01	04/27/00	93.673	63.27
EZ7	04/30/01	01/22/01	98.546	14.54
313313FA1	05/01/01	06/16/00	94.258	57.42
FB9	05/02/01	05/02/00	93.481	65.19
FC7	05/03/01	01/25/01	98.546	14.54
FD5	05/04/01	02/09/01	98.791	12.09
FG8	05/07/01	11/13/00	96.942	30.58
FH6	05/08/01	05/10/00	93.325	66.75
FJ2	05/09/01	05/10/00	93.306	66.94
FK9	05/10/01	02/14/01	98.779	12.21
FL7	05/11/01	05/12/00	93.317	66.83

Number	Date	Date	Amount	Maturity Value
FQ6	05/15/01	11/21/00	96.942	30.58
FR4	05/16/01	05/17/00	93.236	67.64
FS2	05/17/01	02/20/01	98.765	12.35
FT0	05/18/01	05/18/00	93.187	68.13
FW3	05/21/01	02/21/01	98.729	12.71
FX1	05/22/01	02/22/01	98.734	12.66
FY9	05/23/01	05/25/00	93.224	67.76
FZ6	05/24/01	01/31/01	98.402	15.98
313313GA0	05/25/01	01/09/01	98.036	19.64
GE2	05/29/01	02/26/01	98.725	12.75
GF9	05/30/01	05/31/00	93.185	68.15
GG7	05/31/01	01/08/01	97.930	20.70
GH5	06/01/01	06/01/00	93.166	68.34
GL6	06/04/01	01/26/01	98.151	18.49
GM4	06/05/01	02/26/01	98.642	13.58
GN2	06/06/01	02/26/01	98.628	13.72
GP7	06/07/01	02/27/01	98.650	13.50
QQ5	06/08/01	03/08/01	98.763	12.37
GT9	06/11/01	02/28/01	98.632	13.68
GU6	06/12/01	06/12/00	93.349	66.51
GV4	06/13/01	06/13/00	93.369	66.31
GW2	06/14/01	06/14/00	93.410	65.90
GX0	06/15/01	12/14/00	96.960	30.40
313313HA9	06/18/01	03/12/01	98.674	13.26
HB7	06/19/01	03/16/01	98.778	12.22
HC5	06/20/01	12/22/00	97.100	29.00
HD3	06/21/01	06/21/00	93.430	65.70
HE1	06/22/01	01/23/01	97.858	21.42
HH4	06/25/01	03/13/01	98.608	13.92
HJ0	06/26/01	03/26/01	98.817	11.83
HK7	06/27/01	03/27/01	98.819	11.81
HL5	06/28/01	12/15/00	96.772	32.28
HM3	06/29/01	01/16/01	97.622	23.78
HQ4	07/02/01	03/27/01	98.771	12.29
HR2	07/03/01	03/28/01	98.752	12.48
HT8	07/05/01	03/28/01	98.727	12.73
HU5	07/06/01	01/02/01	97.025	29.75
HX9	07/09/01	03/29/01	98.694	13.06
HY7	07/10/01	02/05/01	97.852	21.48
HZ4	07/11/01	07/14/00	93.595	64.05
313313JA7	07/12/01	07/14/00	93.577	64.23
JB5	07/13/01	07/13/00	93.531	64.69
JE9	07/16/01	02/16/01	97.900	21.00
JF6	07/17/01	02/05/01	97.764	22.36
JG4	07/18/01	04/16/01	98.819	11.81
JH2	07/19/01	07/19/00	93.471	65.29

JN9	07/24/01	02/05/01	97.672	23.28
JP4	07/25/01	07/25/00	93.491	65.09
JQ2	07/26/01	04/20/01	98.882	11.18
JR0	07/27/01	01/29/01	97.484	25.16
JU3	07/30/01	04/05/01	98.544	14.56
JV1	07/31/01	04/10/01	98.612	13.88
JW9	08/01/01	08/10/00	93.760	62.40
JX7	08/02/01	01/29/01	97.410	25.90
JY5	08/03/01	02/12/01	97.654	23.46
313313KB3	08/06/01	04/27/01	98.850	11.50
KC1	08/07/01	04/30/01	98.862	11.38
KD9	08/08/01	08/09/00	93.610	63.90
KE7	08/09/01	02/08/01	97.498	25.02
KP4	08/10/01	01/18/01	97.110	28.90
KJ6	08/13/01	05/10/01	98.987	10.13
KK3	08/14/01	05/11/01	98.981	10.19
KL1	08/15/01	08/16/00	93.610	63.90
KM9	08/16/01	03/16/01	98.092	19.08
KN7	08/17/01	08/18/00	93.610	63.90
KR8	08/20/01	02/20/01	97.516	24.84
KS6	08/21/01	05/16/01	98.979	10.21
KT4	08/22/01	08/23/00	93.630	63.70
KU1	08/23/01	03/26/01	98.150	18.50
KV9	08/24/01	03/15/01	97.930	20.70
KY3	08/27/01	02/26/01	97.589	24.11
KZ0	08/28/01	04/24/01	98.565	14.35
313313LA4	08/29/01	08/30/00	93.610	63.90
LB2	08/30/01	05/30/01	99.019	9.81
LC0	08/31/01	03/07/01	97.694	23.06
LG1	09/04/01	03/01/01	97.590	24.10
LH9	09/05/01	03/02/01	97.579	24.21
LJ5	09/06/01	05/23/01	98.861	11.39
LK2	09/07/01	03/09/01	97.644	23.56
LM6	09/10/01	05/24/01	98.840	11.60
LP1	09/11/01	05/25/01	98.840	11.60
LQ9	09/12/01	09/12/00	93.694	63.06
LR7	09/13/01	09/13/00	93.694	63.06
LS5	09/14/01	05/10/01	98.652	13.48
LV8	09/17/01	12/19/00	95.663	43.37
LW6	09/18/01	04/18/01	98.140	18.60
LX4	09/19/01	05/30/01	98.812	11.88
LY2	09/20/01	09/20/00	93.754	62.46
LZ9	09/21/01	04/27/01	98.338	16.62
313313MC9	09/24/01	05/15/01	98.585	14.15

Section III-E (continued)

MM7	10/03/01	04/03/01	97.779	22.21
MN5	10/04/01	10/04/00	93.765	62.35
MP0	10/05/01	04/05/01	97.809	21.91
MT2	10/09/01	04/09/01	97.855	21.45
MU9	10/10/01	03/29/01	97.606	23.94
MV7	10/11/01	10/11/00	93.754	62.46
MW5	10/12/01	10/16/00	93.873	61.27
MZ8	10/15/01	02/12/01	96.720	32.80
313313NA2	10/16/01	07/09/01	98.999	10.01
NB0	10/17/01	10/17/00	93.805	61.95
NC8	10/18/01	10/18/00	93.836	61.64
ND6	10/19/01	06/21/01	98.827	11.73
NG9	10/22/01	02/07/01	96.545	34.55
NH7	10/23/01	03/23/01	97.420	25.80
NJ3	10/24/01	06/06/01	98.553	14.47
NK0	10/25/01	06/25/01	98.817	11.83
NL8	10/26/01	07/18/01	99.006	9.94
NP9	10/29/01	06/26/01	98.792	12.08
NQ7	10/30/01	07/19/01	98.990	10.10
NR5	10/31/01	06/26/01	98.772	12.28
NS3	11/01/01	04/06/01	97.556	24.44
NT1	11/02/01	03/02/01	96.856	31.44
NW4	11/05/01	04/04/01	97.438	25.62
NX2	11/06/01	05/07/01	98.033	19.67
NY0	11/07/01	11/13/00	93.927	60.73
NZ7	11/08/01	03/08/01	96.883	31.17
313313PA0	11/09/01	06/26/01	98.689	13.11
PE2	11/13/01	03/13/01	96.890	31.10
PF9	11/14/01	03/14/01	96.938	30.62
PG7	11/15/01	03/30/01	97.208	27.92
PH5	11/16/01	01/26/01	96.007	39.93
PL6	11/19/01	02/21/01	96.372	36.28
PM4	11/20/01	07/19/01	98.791	12.09
PN2	11/21/01	06/29/01	98.530	14.70
PT9	11/26/01	02/06/01	96.069	39.31
PU6	11/27/01	08/22/01	99.097	9.03
PV4	11/28/01	07/17/01	98.671	13.29
PW2	11/29/01	08/29/01	99.141	8.59
PX0	11/30/01	12/01/00	93.994	60.06
313313QA9	12/03/01	08/01/01	98.805	11.95

Section III-E (continued)

Issue Price                      Discount to be Reported as 2001

CUSIP Number	Maturity Date	Issue Date	Issue Price (% of Principal Amount)	Discount to be Reported as 2001 Interest (Per \$1,000 Maturity Value)
QM3	12/14/01	08/29/01	99.007	9.93
QQ4	12/17/01	12/22/00	94.550	54.50
QR2	12/18/01	03/08/01	96.390	36.10
QSO	12/19/01	08/31/01	98.989	10.11
QT8	12/20/01	03/30/01	96.820	31.80
QU5	12/21/01	08/27/01	98.927	10.73
QZ4	12/26/01	03/28/01	96.686	33.14
313313RA8	12/27/01	03/30/01	96.736	32.64
RB6	12/28/01	04/16/01	96.914	30.86
RE0	12/31/01	09/27/01	99.364	6.36

Section III-F

FEDERAL HOME LOAN MORTGAGE CORPORATION  
Short-Term Obligations Issued at a  
Discount and Maturing in 2001

CL3	02/28/01	07/31/00	96.237	37.63
CN9	03/02/01	10/31/00	97.851	21.49
CRO	03/05/01	08/02/00	96.184	38.16
CS8	03/06/01	01/08/01	99.129	8.71
CT6	03/07/01	07/26/00	96.024	39.76
CU3	03/08/01	12/05/00	98.365	16.35
CV1	03/09/01	06/13/00	95.128	48.72
CY5	03/12/01	08/03/00	96.071	39.29
CZ2	03/13/01	01/16/01	99.129	8.71
313397DA6	03/14/01	08/01/00	96.006	39.94

Section III-F (continued)

CUSIP Number	Maturity Date	Issue Date	Issue Price (\$ of Principal Amount)	Discount to be Reported as 2001 Interest (Per \$1,000 Maturity Value)
DB4	03/15/01	09/07/00	96.698	33.02
DC2	03/16/01	03/16/00	93.785	62.15
DF5	03/19/01	12/18/00	98.443	15.57
DG3	03/20/01	01/22/01	99.141	8.59
DH1	03/21/01	03/22/00	93.797	62.03
DJ7	03/22/01	12/19/00	98.413	15.87
DX4	03/23/01	08/08/00	95.996	40.04
DN8	03/26/01	11/21/00	97.802	21.98
DP3	03/27/01	01/29/01	99.153	8.47
DQ1	03/28/01	01/12/01	98.883	11.17
31339REJ2	03/29/01	03/29/00	93.658	63.42
313397DS7	03/30/01	07/20/00	95.502	44.98
DV0	04/02/01	04/11/00	93.908	60.92
DW8	04/03/01	02/05/01	99.166	8.34
DX6	04/04/01	02/22/01	99.400	6.00
DY4	04/05/01	01/03/01	98.472	15.28
DZ1	04/06/01	10/26/00	97.192	28.08
313397EC1	04/09/01	04/18/00	93.908	60.92
ED9	04/10/01	02/12/01	99.159	8.41
EE7	04/11/01	04/17/00	93.867	61.33
EF4	04/12/01	01/09/01	98.618	13.82
EG2	04/13/01	02/08/01	99.072	9.28
EK3	04/16/01	08/11/00	95.667	43.33
EL1	04/17/01	02/20/01	99.178	8.22
EM9	04/18/01	06/27/00	94.698	53.02
EN7	04/19/01	01/17/01	98.594	14.06
EP2	04/20/01	02/01/01	98.889	11.11
ES6	04/23/01	02/09/01	98.944	10.56
ET4	04/24/01	02/26/01	99.205	7.95
EU1	04/25/01	08/16/00	95.604	43.96

FL0	05/11/01	10/02/00	96.157	38.43
FP1	05/14/01	07/13/00	94.603	53.97
FO9	05/15/01	03/19/01	99.253	7.47
FR7	05/16/01	09/06/00	95.618	43.82
FS5	05/17/01	02/13/01	98.665	13.35
FT3	05/18/01	03/02/01	98.961	10.39
FW6	05/21/01	04/19/01	99.603	3.97

Section III-F (continued)

CUSIP Number	Maturity Date	Issue Date	Issue Price (% of Principal Amount)	Discount to be Reported as 2001 Interest (Per \$1,000 Maturity Value)
FX4	05/22/01	03/26/01	99.256	7.44
FY2	05/23/01	01/17/01	98.131	18.69
31339REL7	05/24/01	05/24/00	93.192	68.08
313397GA3	05/25/01	08/28/00	95.260	47.40
GE5	05/29/01	04/02/01	99.256	7.44
GF2	05/30/01	10/20/00	96.177	38.23
GG0	05/31/01	02/27/01	98.748	12.52
GH8	06/01/01	06/05/00	93.472	65.28
GL9	06/04/01	06/12/00	93.510	64.90
GM7	06/05/01	04/09/01	99.274	7.26
GN5	06/06/01	06/14/00	93.584	64.16
GP0	06/07/01	03/06/01	98.736	12.64
QQ8	06/08/01	06/12/00	93.442	65.58
GT2	06/11/01	02/06/01	98.264	17.36
GU9	06/12/01	04/16/01	99.256	7.44
GV7	06/13/01	06/13/00	93.410	65.90
GW5	06/14/01	03/13/01	98.755	12.45
GX3	06/15/01	10/02/00	95.570	44.30
313397HA2	06/18/01	04/06/01	99.071	9.29
HB0	06/19/01	04/05/01	99.042	9.58
HC8	06/20/01	07/05/00	93.758	62.42
31339REM5	06/21/01	06/21/00	93.460	65.40
313397HE4	06/22/01	07/05/00	93.723	62.77
HH7	06/25/01	02/20/01	98.241	17.59
31339RP25	06/26/01	06/27/00	93.458	65.42
313397HK0	06/27/01	06/28/00	93.448	65.52
HL8	06/28/01	03/27/01	98.818	11.82
HM6	06/29/01	07/06/00	93.646	63.54
HQ7	07/02/01	08/02/00	94.062	59.38
HR5	07/03/01	05/07/01	99.371	6.29
HT1	07/05/01	04/03/01	98.808	11.92
HU8	07/06/01	11/15/00	96.000	40.00

JN2	07/24/01	05/29/01	99.396	6.04
JP7	07/25/01	12/20/00	96.504	34.96
JQ5	07/26/01	04/24/01	98.935	10.65
JR3	07/27/01	08/03/00	93.675	63.25
JU6	07/30/01	10/20/00	95.173	48.27

Section III-F (continued)

CUSIP Number	Maturity Date	Issue Date	Issue Price (% of Principal Amount)	Discount to be Reported as 2001 Interest (Per \$1,000 Maturity Value)
JV4	07/31/01	06/04/01	99.398	6.02
JW2	08/01/01	10/26/00	95.273	47.27
JX0	08/02/01	05/01/01	98.932	10.68
JY8	08/03/01	01/04/01	96.964	30.36
313397KB6	08/06/01	01/22/01	97.267	27.33
KC4	08/07/01	06/11/01	99.406	5.94
KD2	08/08/01	03/13/01	98.072	19.28
KE0	08/09/01	05/08/01	99.001	9.99
KF7	08/10/01	08/11/00	93.650	63.50
KJ9	08/13/01	08/31/00	93.937	60.63
KK6	08/14/01	06/18/01	99.424	5.76
KL4	08/15/01	12/20/00	96.225	37.75
313397EP8	08/16/01	08/16/00	93.604	63.96
313397KN0	08/17/01	08/28/00	93.825	61.75
KR1	08/20/01	01/18/01	96.956	30.44
KS9	08/21/01	06/25/01	99.440	5.60
KT7	08/22/01	03/09/01	97.865	21.35
KU4	08/23/01	05/22/01	98.993	10.07
KV2	08/24/01	12/20/00	96.110	38.90
KY6	08/27/01	08/06/01	99.792	2.08
KZ3	08/28/01	07/02/01	99.419	5.81
313397LA7	08/29/01	11/22/00	95.240	47.60
LB5	08/30/01	05/30/01	99.020	9.80
LC3	08/31/01	09/13/00	93.918	60.82
LG4	09/04/01	07/09/01	99.422	5.78
LH2	09/05/01	11/03/00	94.798	52.02
LK5	09/07/01	02/01/01	97.112	28.88
LN9	09/10/01	11/20/00	95.010	49.90
LP4	09/11/01	07/16/01	99.425	5.75
LQ2	09/12/01	04/06/01	98.105	19.95
LR0	09/13/01	09/13/00	93.714	62.86
LS8	09/14/01	01/11/01	96.590	34.10
LV1	09/17/01	02/26/01	97.367	26.33
LW9	09/18/01	07/23/01	99.437	5.63

CUSIP Number	Maturity Date	Issue Date	Issue Price (% of Principal Amount)	Discount to be Reported as 2001 Interest (Per \$1,000 Maturity Value)
MN8	10/04/01	07/03/01	99.058	9.42
MP3	10/05/01	04/03/01	97.775	22.25
MT5	10/09/01	08/13/01	99.455	5.45
Section III-F (continued)				
MU2	10/10/01	06/05/01	98.698	13.02
MV0	10/11/01	10/11/00	93.785	62.15
MWB	10/12/01	02/21/01	96.867	31.33
MZ1	10/15/01	02/14/01	96.726	32.74
313397NA5	10/16/01	08/20/01	99.465	5.35
NB3	10/17/01	03/08/01	97.175	28.25
NC1	10/18/01	07/17/01	99.073	9.27
ND9	10/19/01	01/22/01	96.310	36.90
NH0	10/23/01	08/27/01	99.459	5.41
NJ6	10/24/01	04/03/01	97.546	24.54
NK3	10/25/01	07/24/01	99.088	9.12
NL1	10/26/01	03/28/01	97.427	25.73
NP2	10/29/01	12/04/00	94.581	54.19
NQ0	10/30/01	09/04/01	99.471	5.29
NR8	10/31/01	01/30/01	96.278	37.22
NS6	11/01/01	07/06/01	98.846	11.54
NT4	11/02/01	05/03/01	97.987	20.13
NW7	11/05/01	04/27/01	97.899	21.01
NX5	11/06/01	09/10/01	99.484	5.16
NY3	11/07/01	08/27/01	99.334	6.66
NZ0	11/08/01	11/08/00	93.826	61.74
313397PA3	11/09/01	12/22/00	95.090	49.10
PE5	11/13/01	09/17/01	99.573	4.27
PF2	11/14/01	02/23/01	96.539	34.61
PG0	11/15/01	08/14/01	99.122	8.78
PH8	11/16/01	11/16/00	93.825	61.75
PL9	11/19/01	12/22/00	94.965	50.35
PM7	11/20/01	07/19/01	98.808	11.92
PN5	11/21/01	12/22/00	94.925	50.75
PQ8	11/23/01	11/24/00	93.903	60.97
PT2	11/26/01	12/22/00	94.887	51.13
PV7	11/28/01	08/10/01	98.979	10.21
PW5	11/29/01	08/28/01	99.129	8.71
PX3	11/30/01	01/26/01	95.842	41.58
313397QA2	12/03/01	12/22/00	94.791	52.09
QC8	12/05/01	08/07/01	98.867	11.33
QD6	12/06/01	12/06/00	94.089	59.11

Section III-F (continued)

CUSIP Number	Maturity Date	Issue Date	Issue Price (% of Principal Amount)	Discount to be Reported as 2001 Interest (Per \$1,000 Maturity Value)
313397RA1	12/27/01	09/25/01	99.380	6.20
RB9	12/28/01	02/08/01	95.720	42.80
RE3	12/31/01	05/22/01	97.628	23.72

Section III-G

FEDERAL AGRICULTURAL MORTGAGE CORPORATION  
Short-Term Obligations Issued at a  
Discount and Maturing in 2001

CUSIP Number	Maturity Date	Issue Date	Issue Price (% of Principal Amount)	Discount to be Reported as 2001 Interest (Per \$1,000 Maturity Value)
31315LAB4	01/02/01	01/12/00	94.126	58.74
AC2	01/03/01	01/10/00	94.106	58.94
AD0	01/04/01	12/28/00	99.878	1.22
AE8	01/05/01	10/03/00	98.316	16.84
AH1	01/08/01	10/03/00	98.262	17.38
AJ7	01/09/01	01/08/01	99.984	0.16
AK4	01/10/01	10/05/00	98.259	17.41
AL2	01/11/01	10/11/00	98.354	16.46
NM0	01/12/01	12/13/00	99.462	5.38
AR9	01/16/01	10/16/00	98.357	16.43
AS7	01/17/01	10/20/00	98.405	15.95
AT5	01/18/01	12/18/00	99.451	5.49
AU2	01/19/01	11/22/00	98.959	10.41
AX6	01/22/01	11/28/00	99.010	9.90
AY4	01/23/01	12/21/00	99.420	5.80
AZ1	01/24/01	01/23/01	99.984	0.16
31315LBA5	01/25/01	09/28/00	97.868	21.32
BB3	01/26/01	10/26/00	98.352	16.48
BE7	01/29/01	01/26/01	99.951	0.49
BF4	01/30/01	11/29/00	98.887	11.13
BG2	01/31/01	12/28/00	99.412	5.88
BH0	02/01/01	11/01/00	98.344	16.56

CUSIP Number	Maturity Date	Issue Date	Issue Price (% of Principal Amount)	Discount to be Reported as 2001 Interest (Per \$1,000 Maturity Value)
31315LCC0	02/20/01	02/16/01	99.940	0.60
CD8	02/21/01	02/20/01	99.985	0.15
CE6	02/22/01	01/23/01	99.533	4.67
CF3	02/23/01	01/29/01	99.622	3.78
CJ5	02/26/01	01/22/01	99.453	5.47
CK2	02/27/01	11/29/00	98.393	16.07
CL0	02/28/01	09/27/00	97.262	27.38
CM8	03/01/01	11/28/00	98.339	16.61
CN6	03/02/01	02/02/01	99.582	4.18
CR7	03/05/01	09/06/00	96.805	31.95
CS5	03/06/01	03/05/01	99.985	0.15
CT3	03/07/01	03/06/01	99.985	0.15
CU0	03/08/01	12/07/00	98.400	16.00
CV8	03/09/01	01/22/01	99.302	6.98
CY2	03/12/01	01/09/01	99.044	9.56
CZ9	03/13/01	12/13/00	98.430	15.70
31315LDA3	03/14/01	02/14/01	99.578	4.22

Section III-G (continued)

CUSIP Number	Maturity Date	Issue Date	Issue Price (% of Principal Amount)	Discount to be Reported as 2001 Interest (Per \$1,000 Maturity Value)
FC7	05/03/01	02/01/01	98.698	13.02
FD5	05/04/01	04/05/01	99.611	3.89
FG8	05/07/01	05/04/01	99.964	0.36
FH6	05/08/01	05/07/01	99.987	0.13
FJ2	05/09/01	05/08/01	99.988	0.12
FK9	05/10/01	02/09/01	98.700	13.00
FL7	05/11/01	02/09/01	98.685	13.15
FP8	05/14/01	03/15/01	99.198	8.02
FQ6	05/15/01	05/14/01	99.989	0.12
FR4	05/16/01	01/22/01	98.325	16.75
FS2	05/17/01	03/16/01	99.184	8.16
FT0	05/18/01	02/15/01	98.666	13.34
FW3	05/21/01	05/18/01	99.968	0.32
FX1	05/22/01	05/21/01	99.989	0.11
FY9	05/23/01	04/23/01	99.642	3.58

Section III-G (continued)

CUSIP Number	Maturity Date	Issue Date	Issue Price (% of Principal Amount)	Discount to be Reported as 2001 Interest (Per \$1,000 Maturity Value)
FZ6	05/24/01	03/28/01	99.250	7.50
31315LGA0	05/25/01	04/12/01	99.421	5.79
GE2	05/29/01	04/04/01	99.277	7.23
GF9	05/30/01	05/31/00	93.175	68.25
GG7	05/31/01	04/27/01	99.590	4.10
GH5	06/01/01	03/01/01	98.753	12.47
GL6	06/04/01	04/06/01	99.235	7.65
GM4	06/05/01	05/01/01	99.582	4.18
GN2	06/06/01	06/05/01	99.989	0.11
GP7	06/07/01	05/30/01	99.911	0.89
GQ5	06/08/01	03/08/01	98.753	12.47
GT9	06/11/01	04/18/01	99.300	7.00
GU6	06/12/01	06/11/01	99.989	0.11
GV4	06/13/01	03/12/01	98.747	12.53
GW2	06/14/01	03/16/01	98.823	11.77
GX0	06/15/01	06/14/01	99.989	0.11
31315LHA9	06/18/01	05/16/01	99.641	3.59
HB7	06/19/01	03/20/01	98.820	11.80
HC5	06/20/01	04/17/01	99.172	8.28
HD3	06/21/01	06/14/01	99.924	0.76
HE1	06/22/01	05/23/01	99.670	3.30
HH4	06/25/01	05/03/01	99.382	6.18
HJ0	06/26/01	06/25/01	99.989	0.11
HK7	06/27/01	03/27/01	98.814	11.86
HL5	06/28/01	06/29/00	93.377	66.23

CUSIP Number	Maturity Date	Issue Date	Issue Price (% of Principal Amount)	Discount to be Reported as 2001 Interest (Per \$1,000 Maturity Value)
JF6	07/17/01	07/16/01	99.989	0.11
JG4	07/18/01	05/14/01	99.287	7.13
JH2	07/19/01	04/20/01	98.953	10.47
JJB	07/20/01	04/06/01	98.667	13.33
JM1	07/23/01	06/22/01	99.682	3.18
JN9	07/24/01	07/23/01	99.990	0.10
JP4	07/25/01	04/25/01	98.951	10.49
JQ2	07/26/01	04/09/01	98.659	13.41
JR0	07/27/01	04/27/01	98.946	10.54
JU3	07/30/01	07/16/01	99.857	1.43
JV1	07/31/01	06/29/01	99.673	3.27
JW9	08/01/01	03/27/01	98.420	15.80
JX7	08/02/01	05/02/01	98.934	10.66
JY5	08/03/01	05/03/01	98.942	10.58
31315LKB3	08/06/01	08/03/01	99.970	0.30
KC1	08/07/01	07/03/01	99.638	3.62
KD9	08/08/01	08/07/01	99.990	0.10
KE7	08/09/01	08/02/01	99.929	0.71
KF4	08/10/01	08/09/01	99.990	0.10
KJ6	08/13/01	08/17/00	93.622	63.78
KK3	08/14/01	06/12/01	99.344	6.56
KL1	08/15/01	05/18/01	99.043	9.57
KM9	08/16/01	05/16/01	99.024	9.76
KN7	08/17/01	05/18/01	99.022	9.78
KR8	08/20/01	07/18/01	99.661	3.39
KS6	08/21/01	08/20/01	99.990	0.10
KT4	08/22/01	05/25/01	99.048	9.52
KU1	08/23/01	07/23/01	99.682	3.18
KV9	08/24/01	08/23/01	99.990	0.10
KY3	08/27/01	08/21/01	99.943	0.57
KZ0	08/28/01	06/08/01	99.161	8.39
31315LLA4	08/29/01	07/25/01	99.641	3.59
LB2	08/30/01	05/30/01	99.014	9.86
LC0	08/31/01	03/06/01	97.671	23.29
LG1	09/04/01	06/01/01	98.997	10.03
LH9	09/05/01	08/07/01	99.708	2.92
LJ5	09/06/01	08/02/01	99.645	3.55
LK2	09/07/01	09/06/01	99.990	0.10
LM6	09/10/01	09/07/01	99.972	0.28
LP1	09/11/01	09/10/01	99.991	0.09

Section III-G (continued)

MF2	09/27/01	06/27/01	99.090	9.10
MG0	09/28/01	06/29/01	99.065	9.35
MK1	10/01/01	11/08/00	94.368	56.32
ML9	10/02/01	09/05/01	99.738	2.62
MN5	10/04/01	07/03/01	99.047	9.53
MP0	10/05/01	08/15/01	99.506	4.94
MT2	10/09/01	07/03/01	98.996	10.04
MU9	10/10/01	07/05/01	99.008	9.92
MV7	10/11/01	07/11/01	99.075	9.25
MW5	10/12/01	07/12/01	99.077	9.23
31315LNA2	10/16/01	09/17/01	99.777	2.23
NB0	10/17/01	07/17/01	99.075	9.25
NC8	10/18/01	07/24/01	99.152	8.48

Section III-G (continued)

CUSIP Number	Maturity Date	Issue Date	Issue Price (% of Principal Amount)	Discount to be Reported as 2001 Interest (Per \$1,000 Maturity Value)
ND6	10/19/01	07/20/01	99.100	9.00
NG9	10/22/01	09/19/01	99.808	1.92
NH7	10/23/01	09/21/01	99.797	2.03
NK0	10/25/01	07/24/01	99.083	9.17
NL8	10/26/01	07/19/01	99.018	9.82
NQ7	10/30/01	07/27/01	99.063	9.37
NS3	11/01/01	12/07/00	94.699	53.01
NT1	11/02/01	08/01/01	99.083	9.17
NW4	11/05/01	08/03/01	99.078	9.22
31315LPE2	11/13/01	12/01/00	94.207	57.93
PH5	11/16/01	08/17/01	99.141	8.59
PM4	11/20/01	08/16/01	99.091	9.09
PN2	11/21/01	08/22/01	99.151	8.49
PT9	11/26/01	12/01/00	94.000	60.00
PV4	11/28/01	08/24/01	99.101	8.99
PW2	11/29/01	08/30/01	99.146	8.54
31315LQD3	12/06/01	09/07/01	99.178	8.22
QL5	12/13/01	12/19/00	94.396	56.04

## Carleton, Norman

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**From:** Carleton, Norman  
**Sent:** Tuesday, November 20, 2001 5:13 PM  
**To:** Sharer, James; Cetina, Jill  
**Subject:** FW: DOW JONES NEWSWIRES: Dynegy Won't Comment On Merger Partner Enron's 10-Q

-----Original Message-----

**From:** Carleton, Norman  
**Sent:** Tuesday, November 20, 2001 5:11 PM  
**To:** Roseboro, Brian; Bair, Sheila; Wiedman, Mark; Bitsberger, Timothy; Gross, Jared; Schultheiss, Heidi Lynne; Nickoloff, Peter; Berardi, Steve; Pietrangeli, Fred; Whaley, Jean; Novey, Michael; Eichner, Matthew; Hammer, Viva; Gabilondo, Jose; 'Lori Sanatamorena (E-mail)'  
**Subject:** DOW JONES NEWSWIRES: Dynegy Won't Comment On Merger Partner Enron's 10-Q

**November 20, 2001**

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## Dynegy Won't Comment On Merger Partner Enron's 10-Q

By **CHRISTINA CHEDDAR**

OF DOW JONES NEWSWIRES

NEW YORK -- Dynegy Inc. (DYN) declined Tuesday to comment on whether its merger with **Enron** Corp. (ENE) would be affected by the contents of Enron's quarterly filing with the Securities and Exchange Commission late Monday.

In the 10-Q, which was filed five days past the SEC deadline, **Enron** revised its third-quarter earnings downward by 3 cents a share, and disclosed it may have to pay off a \$690 million note owed to an affiliated partnership because a clause in a financial agreement was triggered by the reduction in Enron's senior unsecured debt rating to triple-B-minus by Standard & Poor's a week ago.

The amount will have to be paid by Nov. 27 if **Enron** doesn't find collateral to guarantee the debt, the company said in the filing. **Enron** is working to come up with an acceptable agreement on the debt, but didn't disclose who holds the note.

**Enron** used partnerships in order to hedge its investment risk, and in some cases to keep the debt off its balance sheet. The practice is being investigated by the SEC and by an internal committee **Enron** has named.

In the filing, **Enron** also said it may have to take a \$700 million pretax charge to earnings for the declining value of assets held by another partnership, Whitewing LLP.

When asked if Dynegy had known about the collateral call on the debt or about the decline in Whitewing's value, a Dynegy spokeswoman declined to comment.

"We are referring all questions about the **Enron** 10-Q to **Enron**," said the spokeswoman. Representatives of **Enron** weren't immediately available for comment.

Dynegy agreed to buy **Enron** earlier this month. Earlier Tuesday, the deal was worth about \$11.97 billion in stock, but **Enron** shares were trading at a 32.5% discount to the offer price earlier Tuesday morning, which is a sign of the uncertainty surrounding the transaction.

**Enron** shares were recently trading at \$7.86, down \$1.20, or 13.2%, while Dynegy shares changed hands at \$43.29, down 31 cents, or 0.8%.

A ChevronTexaco Corp. (CVX) official wasn't immediately available to comment on the matter.

ChevronTexaco, San Francisco, owns 26% of Dynegy and is providing \$2.5 billion in cash to Dynegy as part of the buyout. Last week, an initial payment of \$1.5 billion was transferred to Dynegy and then to **Enron** to help meet Enron's immediate cash needs.

Dynegy's merger agreement with **Enron** contains several provisions beyond the standard "material adverse change" provision that would allow the deal to be terminated. Still, some question whether Dynegy was able to fully assess Enron's liabilities prior to striking the deal.

Investors have expressed frustration with Enron's lack of disclosure, and even marvelled at the fact that the 10-Q included material that could have been mentioned in previous filings or company conference calls.

-By Christina Cheddar, Dow Jones Newswires; 201-938-5166  
christina.cheddar@dowjones.com

(Corrected 1:50 PM)

Later, Dynegy spokeswoman Jennifer Rosser said Enron's filing Monday was an "important step" in the due diligence process Dynegy was undergoing as part of its pending acquisition of **Enron**.

"This kind of filing is exactly what due diligence is about," she said.

<b>Tracking:</b>	<b>Recipient</b>	<b>Delivery</b>	<b>Read</b>
	Sharer, James	Delivered: 11/20/01 5:13 PM	Read: 11/20/01 5:26 PM
	Cefina, Jill	Delivered: 11/20/01 5:13 PM	Deleted: 1/3/02 10:55 AM

## Carleton, Norman

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**From:** Carleton, Norman  
**Sent:** Tuesday, January 08, 2002 5:14 PM  
**To:** Smith, Amy  
**Subject:** FW: FT Article on Wendy Gramm, the CFTC, and Enron

-----Original Message-----

**From:** Carleton, Norman  
**Sent:** Tuesday, January 08, 2002 4:56 PM  
**To:** Bair, Sheila; Berardi, Steve; Bitsberger, Timothy; Eichner, Matthew; Gablondo, Jose; Gross, Jared; Hammer, Viva; Lori Santamarena (E-mail); Nickoloff, Peter; Novey, Michael; Pietrangeli, Fred; Roseboro, Brian; Schultheiss, HeidiLynne; Whaley, Jean; Wiedman, Mark  
**Subject:** FT Article on Wendy Gramm, the CFTC, and Enron

### **COMPANIES & FINANCE INTERNATIONAL: Appointment may be probed**

Financial Times; Jan 7, 2002  
By NANCY DUNNE

Republican Texas Senator Phil Gramm and his wife, Wendy, former chairman of the Commodity Futures Trading Commission, have both been strong proponents of deregulation.

Before leaving her CFTC office in 1992, Mrs Gramm kick-started a rule-making process at the behest of various energy companies and Wall Street banks, which exempted energy swaps from government oversight.

But it was not instituted until after she left the post and her subsequent appointment to a seat on Enron's board a few months later is expected to come under scrutiny from one or more of the Senate committees investigating Enron's downfall.

At the time of the CFTC rule-making, Enron was a strong financial backer of Mrs Gramm's husband. Between 1996 and 2002, the company's employees, officials and political action committees contributed Dollars 233,000 to the senator's campaign war chest, according to the Center for Responsive Politics.

This included Dollars 22,000 given during the current Congress, although the senator is not running for re-election.

William Albrecht, who became acting CFTC chairman after Mrs Gramm's departure, says it was he who ultimately instituted the rule. Now an economics professor in Iowa, Mr Albrecht said the Commission had been directed by Congress to exempt certain energy derivatives from regulation.

"Everyone was on board for this," he said. "We had dozens of meetings. If Enron is trading derivatives with Dynegy, they don't need us in there watching it."

Deregulation, however, had its opponents, and they flourished for a while during the Clinton years. Former Congressman Glen English was chairman of the subcommittee with jurisdiction over the CFTC. He saw no difference between derivatives and futures traded on regulated exchanges.

"Regulation is not just for the traders but for the impact (of not having regulation) on the economy," he said. "It was the responsibility of the CFTC to deal with derivatives."

Brooksley Born, ex-president Bill Clinton's first appointee as CFTC chairwoman, was opposed to deregulation. But her ideas were anathema to the Republican Congress of the time, which threatened to fold the agency into the Securities and Exchange Commission, according to a former CFTC official.

In 1993, Mrs Gramm was offered a position on the Enron board. She became a member of the company's audit committee. Mrs Gramm declined to return the FT's calls but it is common for retiring regulators to move over to industries they oversaw.

She was paid Dollars 22,000 a year for the first three years. Her annual salary grew to Dollars 50,000. Between 1993 and 2001, she earned Dollars 346,000 plus Dollars 176,000 for attendance fees, according to a recent report from Public Citizen, a liberal advocacy group.

She also received stocks and dividends worth between Dollars 915,317 and Dollars 1.85m over the period. Mr Gramm's

tax returns last year listed his wife with assets of Dollars 250,001-Dollars 500,000 in an Enron Deferred Compensation Fidelity Balanced fund.

Mr Gramm played a key role in getting the Commodity Futures Modernisation Act passed in December 2000. The act, which deregulated all financial derivatives and relaxed oversight of commodity exchanges, had been languishing in the Senate.

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**Tracking:**

**Recipient**  
Smith, Amy

**Delivery**  
Delivered: 1/8/02 5:14 PM

**Read**  
Read: 1/8/02 5:15 PM

## Carleton, Norman

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**From:** Carleton, Norman  
**Sent:** Friday, November 16, 2001 11:17 AM  
**To:** Whaley, Jean  
**Subject:** FW: NYT: Did Ken Lay Understand What Was Happening at Enron?

-----Original Message-----

**From:** Carleton, Norman  
**Sent:** Friday, November 16, 2001 9:37 AM  
**To:** Roseboro, Brian; Bitsberger, Timothy; Gross, Jared; Nickoloff, Peter; Schultheiss, HeidiLynne; Pietrangeli, Fred; Berardi, Steve; Cetina, Jill; Sharer, James; Novey, Michael; Eichner, Matthew; Hammer, Viva  
**Subject:** NYT: Did Ken Lay Understand What Was Happening at Enron?

November 16, 2001

FLOYD NORRIS

## Did Ken Lay Understand What Was Happening at Enron?

What a tangled web was weaved by Enron. Both investors and managers seem to have been misled.

"Enron became overleveraged," Kenneth L. Lay, Enron's chairman and chief executive, said this week, adding that things went wrong in ways that "I could not have ever contemplated." He pointed to investments that "performed far worse than we ever could have imagined."

That was the first time that Enron had admitted it had a leverage problem, and it came only after the brutal reality had become apparent to many others. Mr. Lay says he understood what was going on, but I suspect he had left crucial details to others who have since departed and did not fully grasp the reality that was obscured by Enron's soothing financial statements.

When Enron was riding high, it could easily have sold stock to raise capital that it now desperately wants. Mr. Lay and other executives sold stock, but the company did not. Just a month ago, Mr. Lay spoke enthusiastically of how great the company's continuing earnings were.

The leverage was not easy to find. A lot of it was carried off Enron's balance sheet. Partnerships and special-purpose entities that Enron set up borrowed money and funneled the cash to Enron. Enron guaranteed the debt but did not have to show it on its own balance sheet because it could meet its obligations by issuing stock. As undisclosed losses built up in those entities, it became more likely they could not pay their bills, leaving Enron to do so.

It is also clear that the bond rating agencies did not understand Enron's plight until the last couple of weeks. When they figured it out, it took a \$1.5 billion equity infusion that is part of the Dynegy (news/quote) takeover to keep Enron's rating above junk level.

Now Enron has a board committee investigating various transactions, and promises to release details as they are uncovered. Officials speak as if they are learning what happened for the first time, and perhaps they are. Jeffrey Skilling, Mr. Lay's protégé, was Enron's chief financial engineer until he quit this summer. And Enron's chief financial officer and treasurer were ousted as Enron unraveled.

Some investors would say none of that matters now, that the only important fact is that Dynegy is buying Enron anyway. Chuck Watson, Dynegy's chief executive, is convinced that Enron's energy trading business is a gem that more than justifies the price Dynegy is paying. He figures the losses from the bad investments can be contained.

The big question now may be whether Mr. Watson will retain his enthusiasm after his people study Enron's trading positions. Enron has always said it hedged its big derivative positions - positions that can contain huge leverage that does not show up on the balance sheet - but some of that hedging was with affiliated companies. If big surprises are found, Dynegy could back out of the deal.

There is plenty of blame to go around here, and suits have been filed against Enron, its current and former officials, and its auditor, Arthur Andersen. But investors also bear responsibility. Enron's financial statements were, as Mr. Lay conceded this week, "opaque and difficult to understand." Investors and analysts knew they did not know what was going on. They bought anyway.

Enron was viewed as a company that always made its numbers. An old-line gas pipeline company had been transformed into a brilliant trader that could apply its magic around the world. Investors did not care how Enron made the numbers. Now, when it is too late, they do.

**Tracking:**

**Recipient**  
Whaley, Jean

**Delivery**  
Delivered: 11/16/01 11:17 AM

**Read**  
Read: 11/16/01 11:23 AM

## Carleton, Norman

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**From:** Carleton, Norman  
**Sent:** Friday, November 16, 2001 11:16 AM  
**To:** Whaley, Jean  
**Subject:** FW: The Economist: Enron -- See you in court

-----Original Message-----

**From:** Carleton, Norman  
**Sent:** Friday, November 16, 2001 9:13 AM  
**To:** Roseboro, Brian; Bair, Sheila; Gross, Jared; Nickoloff, Peter; Schultheiss, Heidlynn; Pietrangeli, Fred; Berardi, Steve; Bitsberger, Timothy; Novey, Michael; Eichner, Matthew; Hammer, Viva  
**Subject:** The Economist: Enron -- See you in court

**Enron**

## See you in court

Nov 15th 2001 | NEW YORK  
From The Economist print edition

### The company's trials have just begun

LAWYERS are swarming all over Enron's old financial statements and press releases in the hope of reaping huge fees from securities litigation. More than 20 class-action lawsuits have been filed in recent weeks, and new ones are popping up every day. A formal process has been started to consolidate litigation in Houston, where the troubled energy company is based, with all lawyers interested in the case required to stake their claims by December 21st.

The broadest accusations will be of fraud and material misstatement, legal ways of saying that the company's financial statements were garbage. This week, Enron's founder and chairman, Kenneth Lay, decided to forgo a severance package worth over \$60m while admitting that the company's problems "had been exacerbated by the extensive use of debt capital, both on and off the balance sheet". America's Financial Accounting Standards Board (FASB) is looking again at off-balance-sheet financing, having fretted about it on and off for a decade.

There will also be charges of insider trading, because even as Enron was issuing securities amid glowing profits reports, top executives were dumping over \$1 billion of Enron shares to "unsuspecting investors", a group that includes anybody who, however briefly, has held one of the company's 750m shares in the past two years. "The number of class members will be huge," says Maurice Pessa, a lawyer at a New York firm that has filed a claim.

There are, however, limits to the company's liability. It has already restated its results going back five years, but federal law restricts litigation to the past three. Moreover, Enron will not take the rap alone. Its auditor, Arthur Andersen (now plain Andersen), is also named as a defendant in at least one of the complaints already filed. The litigation comes after a rough decade for Andersen. It has had to pay hundreds of millions of dollars in settlements after sloppy audits on such companies as Waste Management, Sunbeam and Discovery Zone.

Because Enron evolved from an energy company into a financial firm, it became much like an unregulated bank. The lack of supervision meant that the role of the company's auditor was crucial. Andersen was certainly paid as if it was. In 2000, it collected \$25m for auditing Enron's books and another \$27m for consulting services. Now how do you account for that?

**Tracking:**

**Recipient**  
Whaley, Jean

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Delivered: 11/16/01 11:16 AM

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**Carleton, Norman**

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**From:** Carleton, Norman  
**Sent:** Monday, November 05, 2001 12:19 PM  
**To:** Whaley, Jean  
**Subject:** FW: DJ: Enron Sr. Unsecured Debt Cut To Triple-B-Minus By Fitch

-----Original Message-----

**From:** Carleton, Norman  
**Sent:** Monday, November 05, 2001 12:15 PM  
**To:** Roseboro, Brian; Britsberger, Timothy; Schultheiss, Heidlynn; Nickoloff, Peter; Gross, Jared; Sharer, James; Cetna, Jill  
**Subject:** DJ: Enron Sr. Unsecured Debt Cut To Triple-B-Minus By Fitch

**November 5, 2001**

## **Enron Sr. Unsecured Debt Cut To Triple-B-Minus By Fitch**

NEW YORK -- Fitch downgraded **Enron Corp.**'s (ENE) senior unsecured debt ratings Monday to triple-B-minus from triple-B-plus, putting the Houston energy and trading giant's credit rating just one notch above noninvestment-grade or junk status.

In its action, the rating agency was more aggressive than Moody's Investors Service and Standard & Poor's, both of which lowered Enron's long-term corporate credit ratings one notch last week to Baa2 and triple-B, respectively.

Fitch said its rating action Monday reflects the difficulties **Enron** faces in managing its liquidity position in the face of an erosion in investor confidence. This follows the recognition of a substantial diminution in value of its global merchant investments, which were partly financed with an aggressive use of off-balance sheet vehicles, the rating agency said.

**Enron**, though, should be able to manage through this challenging environment, ultimately recognizing the values of the company's core businesses, Fitch said.

In other rating actions, Fitch lowered Enron's subordinated debt to double-B from triple-B, while Enron's preferred stock was lowered to single-B-plus from triple-B-minus. Fitch cut Enron's commercial paper to F3 from F2.

Fitch also took action on the senior unsecured debt ratings of Enron's pipeline subsidiaries. The ratings of those units, Northern Natural Gas Co. and Transwestern Pipeline Co., were lowered to triple-B-minus from single-A-minus. The assets of Northern Natural and Transwestern were pledged last week to help **Enron** secure a new \$1 billion secured bank facility.

The rating agency said all of the ratings remain on "Rating Watch Negative" status.

Fitch said it would consider further downgrades if **Enron** was unable to make progress in reducing debt, if its wholesale marketing and trading business were to show signs of material deterioration, or if expenses and charges related to the disposition of non-core businesses and investments exceed present estimations.

A management priority is debt reduction and the exiting of problem businesses. Clearly, these actions, if completed as envisioned will reduce risk and improve the company's credit profile, Fitch said.

However, the targeted transactions have varying degrees of execution risk, particularly the divestiture of assets in emerging market countries, the rating agency said.

An additional uncertainty is the Securities and Exchange Commission's investigation of certain Enron-sponsored partnerships. The outcome and potential impact of the SEC activity is difficult to predict, Fitch said.

-By Joe Niedzielski, Dow Jones Newswires, 201-938-2039;

joe.niedzielski@dowjones.com

**Tracking:**

**Recipient**  
Whaley, Jean

**Delivery**  
Delivered: 11/5/01 12:19 PM

**Read**  
Deleted: 12/4/01 11:10 AM

**Carleton, Norman**

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**From:** Carleton, Norman  
**Sent:** Thursday, November 01, 2001 2:36 PM  
**To:** Whaley, Jean  
**Subject:** FW: Economist Article on Enron: "Houston, we have a problem"

-----Original Message-----

**From:** Carleton, Norman  
**Sent:** Thursday, November 01, 2001 2:01 PM  
**To:** Roseboro, Brian; Gross, Jared; Bitsberger, Timothy; Schultheiss, Heidlynn; Nickoloff, Peter; Cetina, Jill; Sharer, James  
**Subject:** Economist Article on Enron: "Houston, we have a problem"

**A financial black hole**

## **Houston, we have a problem**

Nov 1st 2001 | HOUSTON, LONDON AND NEW YORK  
From The Economist print edition

AP  
AP

### **The troubles of Enron, a Texan powerhouse in the energy markets, could result in a new financial crisis**

JUST last year, visitors to Enron's glittering headquarters in Houston were greeted by a giant banner that proclaimed the firm, "The world's leading energy company". That annoyed Enron's smaller energy-trading rivals, many of which have offices only a stone's throw away in Houston's Energy Alley, but not as much as what came next—a new banner, declaring Enron "The world's leading company". In recent weeks, as the company has been engulfed by a financial crisis, that banner has quietly been removed.

The heady mix of audacity, ambition and arrogance revealed by the banners is as good a guide as any to Enron's remarkable rise and fall. Forged in the 1980s by the merger of two troubled gas-pipeline firms, Enron drove the development of the sophisticated spot-and-derivatives markets in energy that it has come to dominate. Indeed, such is the scale of its operations, and its dealings with many of the world's financial institutions, that some observers see parallels with Long-Term Capital Management (LTCM), the hedge fund that failed in 1998—and not just because seemingly brilliant financial alchemists have been humbled. Were Enron to go bust—unlikely, but in the current nervous climate, not impossible—might a crisis ensue?

Troubles in California's politically crazed power market, an ill-advised foray into telecoms bandwidth trading and concerns about management badly dented Enron's share price earlier this year, prompting the departure of Jeffrey Skilling, the firm's newish chief executive, in August. Kenneth Lay, an avid free-marketeer, friend of George Bush and visionary chairman of the firm, was obliged to resume hands-on control.

This has not slowed Enron's decline. Day by day, it seems to be sinking deeper into a financial quagmire that is largely of its own creation. Not least thanks to its lack of transparency, the firm's credibility with the markets has eroded to the point that talk of a possible takeover or even bankruptcy is widespread.

Enron's reputation for financial wizardry has been turned from an asset to a liability since its third-quarter results came out in mid-October, showing a \$1 billion write-off on water distribution, broadband trading and other investments. Worse, disclosed only in passing by Mr Lay in a conference call with analysts, the firm suffered a \$1.2 billion reduction in capital, stemming from a hedging deal with a related private-

equity fund called LJM. The charge was due to Enron's forced sale of 55m of its own shares when the partnership was unwound this summer. Almost nobody outside Enron had been aware of the terms of the deal with LJM, a "structured finance vehicle".

Enron's failure to offer details about the risks from other related partnerships have led many to fear the worst about its huge balance sheet. Its shares plunged by 19% on October 30th alone (see chart), before recovering a bit the next day.

Andrew Fastow, who was replaced as chief financial officer on October 24th, was a general partner in LJM. Jeffrey McMahon, his successor, has much to do to restore confidence. Questions abound. Were the trusts run at arm's length? What did Mr Fastow earn from the partnership? Ominously, the Securities and Exchange Commission (SEC) has now launched a formal inquiry.

Moody's, a rating agency, last week cut its rating on the company's debt to barely above "junk" level. Further downgrades might unleash claims from other off-balance-sheet partnerships. Those known about, such as Atlantic Water and Marlin Water, do not seem big enough to bankrupt Enron, but speculation is rife about what other obligations might lurk secretly in other structured vehicles.

A lower credit rating could destroy Enron's core franchise as the leading energy middleman, by scaring away customers and freezing the wholesale energy markets. That might have nasty consequences in other markets. Enron acknowledges that it is a large participant in the derivatives market, holding a portfolio with a notional value of \$21 billion. Rightly or wrongly, many traders believe that figure vastly understates Enron's presence. If the firms on the other side of Enron's trades start to fear that payment is not coming, they might curb their other trading, producing a knock-on effect. Where this could end up is a subject of much conjecture.

Utilities that trade energy could be hit. So could the commodity and derivative operations of large commercial and investment banks. The ties are notably tight between Enron and J.P. Morgan Chase, according to Ventana Capital, a research firm. Not only does J.P. Morgan provide innumerable separate credit arrangements for Enron; it also has the largest derivative operation of any bank, as well as a large business trading commodities. There is "no doubt" that Enron is on the other side of many J.P. Morgan trades, says Ventana.

Were Enron to fail, Ventana thinks "it has the potential to cause a major financial crisis", worse, in some ways, than what occurred after LTCM. That merely froze the debt markets temporarily, whereas Enron deals in the building-blocks of the American economy. Imagine gridlock in the markets for gas, timber, coal, metals, fertiliser, bandwidth or indeed any of the products Enron deals in.

As yet, this all seems unlikely. Many big traders were happy to deal with Enron this week, although at shorter maturities and with less complex structures than in the past. Trading on EnronOnline <<http://www.enrononline.com/jsp/marketing/homepage/index.html>> was reportedly strong. Jim Donnell of Duke Energy, a big energy trader, described "a huge dichotomy" between the collapse in confidence in Enron in the equity and credit markets and the "business as usual" attitude taken by big commodity trading firms when considering Enron as a counterparty.

Yet as questions about Enron's credit-standing spread this week, it began to have difficulty making markets in some instruments. Few firms would accept Enron's name as guarantor of a credit derivative. In its core energy markets some big trading counterparties refused the Enron name. On the InterContinental Exchange (ICE), two houses reportedly specified that they would not take Enron's credit.

The biggest credit exposure appeared to be with banks, whose \$3 billion of back-up lines to Enron were drawn down last week. J.P. Morgan arranged an additional \$1 billion emergency credit-line this week. This back-up, it is widely assumed, is needed mainly to meet margin calls triggered by the ratings downgrade.

## Too big to fail?

Is Enron too big and too important to be allowed to fail? Philip Verleger, an energy economist, thinks that Enron is so central to energy markets that it could not easily be replaced. Enron's rivals mostly disagree, unsurprisingly.

But even Enron's worst enemies do not (yet) expect the firm to die from its current crisis. Most traders seem keen that it should live. "Nobody likes to see a wholesale trader disappear," says one. They admire Enron's armies of traders and their ability to do deals. EnronOnline is one of the Internet's few success stories, assuming its huge trading volumes do indeed generate big profits, as the firm claims.

Enron's, and the financial system's, problems could worsen if doubts grow about its ability to meet its obligations. On the surface it is rich in assets, if not cash. But its lack of transparency leaves uncomfortable room for doubt. In June 2000, *The Economist* challenged Mr Lay to reply to accusations of arrogance, high-handedness and a propensity to push the limits of the law. His response was revealing. To show that such charges were baseless, he pointed to another firm unfairly maligned by critics: Drexel Burnham Lambert, an investment bank that rose from obscurity to market prominence in the junk-bond boom of the 1980s. Drexel was accused of arrogance, he groused, but it was only being "very innovative and very aggressive". Drexel was not bailed out: Michael Milken, its star, ended up in jail, and Drexel collapsed in a heap of bad debts and ignominy.

### Tracking:

#### Recipient

Whaley, Jean

#### Delivery

Delivered: 11/1/01 2:36 PM

#### Read

Read: 11/1/01 2:38 PM

## Carleton, Norman

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**From:** Carleton, Norman  
**Sent:** Thursday, January 10, 2002 12:44 PM  
**To:** Whaley, Jean; Cetina, Jill; Pietrangeli, Fred; Novey, Michael; Hammer, Viva; Gross, Jared; Wiedman, Mark; Pietrangeli, Fred; Sharer, James; Schultheiss, Heidilynne; Nickoloff, Peter  
**Subject:** FT: A kerfuffle, indeed (Paul O'Neill, Enronism, excerpts)

### A kerfuffle, indeed

Published: January 9 2002 23:17 | Last Updated: January 10 2002 00:12

Despite continued whispers around Washington that Paul O'Neill's job is in jeopardy, the White House on Wednesday stood by its man, saying rumours of the outspoken Treasury secretary's imminent downfall were nothing but "kerfuffle" and "nonsense".

Asked whether President George W. Bush's confidence extended to O'Neill's handling of the Argentine crisis - while some critics have accused the Treasury of failing to give Buenos Aires more support, others have slammed O'Neill for not cutting the strapped government loose earlier - White House spokesman Ari Fleischer insisted it did.

"O'Neill has done an excellent job," he told a gathering of reporters.

When the irascible Helen Thomas, a columnist for Hearst newspapers and the dean of the White House press corps, reminded Fleischer that the riots and government collapse in Argentina have not generally been viewed as successes where policymakers have done "excellent" jobs, a nonplussed Fleischer said the blame did not fall at O'Neill's feet: "Not everything in the world is in the control of the United States, or even the Treasury secretary."

### Enronism

Financiers have heard more than once the old joke explaining the differences between capitalism, communism and many other isms:

"Capitalism - You have two cows. You sell one and buy a bull. Your herd multiplies, and the economy grows. You sell them and retire on the income. Communism - You have two cows. Your neighbours help take care of them and you all share the milk."

The latest version of the joke doing the rounds on Wall Street adds an "Enronism" to the list:

"You have two cows. You sell three of them to your publicly listed company, using letters of credit opened by your brother-in-law at the bank, then execute a debt/equity swap with an associated general offer so you get all four cows back, with a tax exemption for five cows. The milk rights of the six cows are transferred via an intermediary to a Cayman Island company secretly owned by the majority shareholder who sells the rights to all seven cows back to your listed company. The annual report says the company owns eight cows, with an option on one more."

Enron's shareholders will be hard-pressed to see the funny side.

Tracking:	Recipient	Delivery	Read
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	Pietrangeli, Fred	Delivered: 1/10/02 12:44 PM	Read: 1/10/02 1:16 PM
	Novey, Michael	Delivered: 1/10/02 12:44 PM	Read: 1/10/02 12:46 PM
	Hammer, Viva	Delivered: 1/10/02 12:44 PM	Read: 1/10/02 12:44 PM
	Gross, Jared	Delivered: 1/10/02 12:44 PM	Read: 1/10/02 1:00 PM
	Wiedman, Mark	Delivered: 1/10/02 12:44 PM	Read: 1/10/02 12:48 PM

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Sharer, James	Delivered: 1/10/02 12:44 PM	Read: 1/10/02 12:44 PM
Schultheiss, Heidi Lynne	Delivered: 1/10/02 12:44 PM	Read: 1/10/02 1:06 PM
Nickoloff, Peter	Delivered: 1/10/02 12:44 PM	

**Carleton, Norman**

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**From:** Carleton, Norman  
**Sent:** Wednesday, December 05, 2001 2:55 PM  
**To:** Wiedman, Mark  
**Subject:** FW: DJ: Another Enron 'Rally' As Shorts Close Out Positions

-----Original Message-----

**From:** Carleton, Norman  
**Sent:** Wednesday, December 05, 2001 2:42 PM  
**To:** Bitsberger, Timothy; Gross, Jared; Pietrangeli, Fred; Berardi, Steve; Nikoloff, Peter; Schultheiss, HeidiHenne  
**Subject:** DJ: Another Enron 'Rally' As Shorts Close Out Positions

**December 5, 2001**

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## Another Enron 'Rally' As Shorts Close Out Positions

By **CHRISTINA CHEDDAR**

OF DOW JONES NEWSWIRES

NEW YORK -- Even as more **Enron** Corp. (ENE) units succumb to bankruptcy, the Houston energy trader's stock has bounced up over 30% Wednesday in heavy volume.

Buyers of the stock Wednesday included professional investors and traders closing out short positions as well as some retail investors.

The movement comes even though **Enron** shares will likely be worthless by the time its bankruptcy court case is through. This is because there is a strict hierarchy that is followed in a bankruptcy proceeding, and the last in line to get paid are the common shareholders of Enron's stock.

Standing at the front of the line are the lenders who provided the company with debtor-in-possession financing. In Enron's case, this is the \$1.5 billion it received from Citigroup Inc. (C) and J.P. Morgan Chase & Co. (JPM).

Next in line are secured lenders and bondholders whose claims are backed by the company's assets. Behind them are unsecured creditors such as Enron's trading counterparties and vendors seeking to paid.

Anything left over after all of that goes to the company's stockholders.

The original 14 **Enron** units that filed for bankruptcy on Sunday had more than \$18 billion in combined liabilities, without accounting for any of its off-balance-sheet obligations, which is what got **Enron** into trouble in the first place.

The Wall Street Journal, citing information provided by bankers involved in the process, said the off-balance-sheet liabilities could add another \$27 billion in debt.

Tuesday's bankruptcy filing by another three units of the company - **Enron** Net Works LLC, **Enron** Global Markets LC and **Enron** Industrial Markets LLC - added \$439 million in debt.

And there is no assurance, **Enron** won't make additional bankruptcy filings.

A quick look at Enron's bonds shows the skepticism in the market. Enron's bonds are trading at about 25 cents on the dollar, which means bondholders are expecting to get only partial payment for their investment, or are expecting that payment to be far off in the future.

To be sure, some investors who specialize in trading distressed stocks have been making profits on **Enron** shares as the stock popped back up. Some of these investors may have shorted Enron's stock are buying to close out their positions.

However, some of the activity may come from amateur investors, who think that there still could be hope for a rebound.

"PG&E didn't go to zero," said Andre Meade, an analyst at Commerzbank, referring to the stock of PG&E Corp. (PCG). Burdened by debt from California's high-flying power prices, PG&E's Pacific Gas & Electric Co. unit filed for bankruptcy protection in April. "But there was a good chance its shareholders would get paid. In my opinion, Enron's equity is likely to go to zero, and even bondholders will not be paid."

**Enron** shares recently traded at \$1.15, up 28 cents, or 32.2%, on volume of 154.6 million compared with average daily volume of 42.2 million.

-By Christina Cheddar, Dow Jones Newswires; 201-938-5166; christina.cheddar@dowjones.com

**Tracking:**

**Recipient**  
Wiedman, Mark

**Delivery**  
Delivered: 12/5/01 2:55 PM

**Read**  
Read: 12/5/01 4:22 PM

Carleton, Norman

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**From:** Schultheiss, Heidilynne  
**Sent:** Wednesday, October 31, 2001 9:37 AM  
**To:** Carleton, Norman; Nickoloff, Peter  
**Subject:** NY Times OpEd: Repeal of AMT and Benefit to Enron

October 31, 2001 **The One-Eyed Man** By PAUL KRUGMAN Somewhere I read that to really understand legislation you have to look for the clause giving special consideration to one-eyed bearded men with a limp - that is, you have to look for the provision that turns a bill ostensibly serving a public purpose into a giveaway for some special interest. Most of the commentary about the "stimulus" bill passed by the House last week focuses on the huge benefits it lavishes on giant corporations. But that doesn't tell us much about the specific interests being served. What's good for corporate America is good for General Motors; it would be hard to devise a bill that consists mainly of corporate giveaways without giving a lot of money to the biggest companies. To understand what the bill is really about, you have to look at the big payoffs to not-so-big companies. One piece of the bill is custom- designed to benefit a small group of multinational financial firms. Another is clearly there for the sake of certain health insurers. But the most remarkable thing is how much of the benefit from repeal of the alternative minimum tax - a measure that is also included in the Bush administration's supposed stimulus plan, and which seems to be one of the administration's key priorities - goes to companies that are not all that big. For example, it's not too surprising that calculations by Citizens for Tax Justice show General Motors, with its 380,000 workers, getting a check for \$800 million. But it's quite amazing that TXU (formerly Dallas Power and Light), a company with only 16,000 employees, would get a check for \$600 million. And there are a number of medium-sized companies that, like TXU, are in line for surprisingly big benefits. These companies include ChevronTexaco, Enron, Phillips Petroleum, IMC Global and CMS Energy. What do they have in common? Well, they tend to be in the energy or mining businesses; and they tend to be based in or near Texas. In other words, the one-eyed bearded man with a limp looks a lot like Dick Cheney. There is almost certainly a lot of overlap between the companies that would derive large benefits from alternative minimum tax repeal and those that would have received large subsidies under the energy plan devised by Mr. Cheney's task force. You may remember that the administration, in apparent defiance of the law, refused to make the records of that task force's meetings available to Congress; that's one of those issues that seems to have been dropped after Sept. 11. And I guess it's superfluous to point out that the big winners in all this seem to be companies that gave large, one-sided donations to the Republican Party in the last election. (This is not to suggest that Democrats are any less susceptible to the influence of money.) To me, the story of the Bush administration is starting to look like the plot of "Victor/Victoria." First we had a candidate who was supposed to be a moderate. Then we learned, or thought we learned, that this was a mask; he was really a hard-line conservative who pretended to be a moderate in order to gain office. But the latest economic proposals from the administration, like the Cheney energy plan, don't look as if they came from serious free-marketeers. They don't make sense in terms of either demand-side or supply-side economics, but they do give a lot of money to certain companies. So maybe ideology was just another mask for someone who was really the candidate of corporations - not corporations in general, but a small group of companies with a quite specific set of business interests - and who is only pretending to be a hard- line conservative who pretended to be a moderate in order to gain office. It's an interesting and all too plausible picture. But it's a picture that most people will never see on their TV, and that many people would refuse to accept no matter how strong the evidence. That, of course, is what makes the whole thing possible. In the land of the blind, the one- eyed bearded man with a limp is king. In last Wednesday's column I said the "original" war bonds were issued during World War II. In fact, war bonds were also issued during the Civil War and World War I. I don't think this affects the argument. Copyright 2001 The New York Times Company

**Carleton, Norman**

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**From:** Schultheiss, Heidilynne  
**Sent:** Monday, October 29, 2001 4:02 PM  
**To:** Carleton, Norman; Nickoloff, Peter  
**Subject:** Where Did the Value Go at Enron?

October 23, 2001

## **Where Did the Value Go at Enron?**

By FLOYD NORRIS

What really went on in some of the most opaque transactions with insiders ever seen?

Wall Street has been puzzling over that since Enron released its quarterly earnings a week ago. Yesterday shares in Enron plunged \$5.40, to \$20.65, after the company said that the Securities and Exchange Commission was looking into the transactions.

The reaction was in some ways puzzling. Given the questions that have been raised since the earnings announcement - some of them prominently featured in The Wall Street Journal - it was likely that the S.E.C. would begin a preliminary inquiry.

Whether it will go farther than that is not clear, but if nothing else the slide in Enron shares over the last week shows the hazards that can confront a company that allows word of a major reduction in its balance sheet value to dribble out. Enron's shares rose 67 cents, to \$33.84, last Tuesday, as investors first reacted to the earnings announcement. But since then they have fallen \$13.19, or 39 percent.

The \$1.2 billion reduction in shareholders' equity was not mentioned in a news release Enron issued on its quarterly earnings last Tuesday. It was briefly mentioned in a conference call with analysts, but many of the listeners seem to have not noticed that, wrongly thinking Kenneth L. Lay, Enron's chairman and chief executive, was referring to a \$1 billion write-off that was disclosed in the earnings release.

When questions were asked in the following days, the explanations were less than thorough. Enron explained that the reduction in shareholders' equity was related to the termination of "structured finance vehicles" involving partnerships that had been controlled by the company's chief financial officer.

"Both the debt and the equity people are looking for more clarity about how the company goes about its business," said Ralph Pellicchia, a credit analyst at Fitch Investors Service. He added that the issue of the company's "credibility related to this transaction really seems to have a life of its own."

Enron declined yesterday to allow any officials to be interviewed about its financial reports. But last night it said Mr. Lay would hold another conference call with investors at 9:30 a.m. today.

The company's earlier disclosures regarding the partnerships baffled many analysts. They referred to such things as "share settled costless collar arrangements" and "derivative instruments which eliminated the contingent nature of existing restricted forward contracts." The disclosures said the company entered into the transactions "to hedge certain merchant investments and other assets."

It appears that Enron was able to report profits from them, even though the underlying assets included investments that declined in value. The Wall Street Journal, citing reports the partnerships made to institutional investors, has reported the partnerships did well enough to make large cash distributions to their investors. Enron officials in recent days have refused to discuss the arrangements in any detail.

One of the questions that the S.E.C. may look into is whether the termination of those transactions should have been treated as a balance sheet item, or whether it should have been taken as a loss that affected reported earnings. An S.E.C. spokesman declined to comment.

Under accounting rules, a company's transactions in its own shares cannot produce profits or losses, whatever

the effect on cash flow. So a company that sells its shares for \$10 each, and buys them back at \$50, or at \$1, will report no earnings effect. Enron said that the reduction to shareholders equity, and a related reduction in notes receivable, "is the result of Enron's termination of previously recorded contractual obligations to deliver Enron shares in future periods."

Stephen Moore, an analyst with Moody's Investors Service who has put Enron's debt on review for a possible downgrade, said that while some of the details were not clear, "Essentially, Enron's promise was that a certain amount of Enron's shares would be worth \$1 billion. The shares plummeted, and they were not" worth that much.

Enron emphasizes its own version of earnings, which leaves out some expenses, and directs attention away from its balance sheet, which is disclosed only in S.E.C. filings, not in the earnings news release. The reduction in shareholders' equity would be shown only on the third-quarter balance sheet, which has yet to be released.

Earlier this year, Jeffrey Skilling, then Enron's chief executive, reacted strongly when a questioner on a conference call challenged the failure to provide balance sheet numbers when earnings were released. He called the questioner a common vulgarity that surprised many listeners. Mr. Skilling later resigned for what he said were personal reasons and Mr. Lay, the chairman and former chief executive, took back the latter title.

While Enron was riding high, its often difficult-to-understand reports were generally seen as not being a problem. The company appeared to be the dominant force in the business of energy trading, and to be able to produce phenomenal profits. When Mr. Lay was reported as having played an important role in formulating the Bush administration's energy policies, the aura was only enhanced. In January, the shares traded for \$84.

But now, with some of the company's ventures clearly having run into problems, it appears that investors are growing less willing to accept the company's reports. That the partnership transactions were disclosed at all was because of the involvement of the chief financial officer, and some have wondered if there might have been similar deals with others.

Mr. Lay has promised to make the company's financial reports easier to understand, and last week's report was at first praised by some analysts for doing just that.

In a news release yesterday, Mr. Lay said the company welcomed the S.E.C.'s request for information. "We will cooperate fully with the S.E.C. and look forward to the opportunity to put any concern about these transactions to rest," he said.

**Carleton, Norman**

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**From:** Schultheiss, Heidilynne  
**Sent:** Monday, October 29, 2001 4:05 PM  
**To:** Carleton, Norman; Nickoloff, Peter  
**Subject:** NYT Abstract: Enron Reports \$1 Billion In Charges And a Loss

**FREE ABSTRACT**                      **PREMIUM ARCHIVE**

October 17, 2001, Wednesday **E R B I C A** By KENNETH N. GILPIN Source: The New York Times Section: Business/Financial Desk 619 words **A** Enron Corp posts third-quarter loss because of more than \$1 billion in one-time charges for various businesses; net loss was \$618 million in contrast to net income of \$292 million year earlier; revenue rose 59 percent, to \$47.6 billion, from \$30 billion last year (M) **P** The Enron Corporation, the nation's leading wholesale electricity marketer and natural gas trader, posted a third-quarter loss yesterday because of more than \$1 billion in one-time charges for various businesses. The company reported a net loss of \$6...

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**02629**

**From:** Schultheiss, Heidi Lynne  
**Sent:** Monday, October 29, 2001 10:06 AM  
**To:** Carleton, Norman; Nickoloff, Peter  
**Subject:** Once-Mighty Enron Strains Under Scrutiny

October 28, 2001

## **Once-Mighty Enron Strains Under Scrutiny**

By ALEX BERENSON and RICHARD A. OPPEL Jr.

IS time running out for Enron?

At the beginning of this year, the Enron Corporation, the world's dominant energy trader, appeared unstoppable. The company's decade-long effort to persuade lawmakers to deregulate electricity markets had succeeded from California to New York. Its ties to the Bush administration assured that its views would be heard in Washington. Its sales, profits and stock were soaring.

And under the leadership of Jeffrey K. Skilling, its chief executive, Enron's arrogance had grown even more quickly.

The company, based in Houston, dripped contempt for the regulators and consumer groups that stood between it and fully deregulated markets - for electricity, water and everything else. Everyone would win under deregulation, Enron said - especially its shareholders, whose stock would soar as the company profited from creating new markets.

"We are on the side of angels," Mr. Skilling said in March, dismissing those who saw the company as a profiteer in California's energy crisis. "People want to have open, competitive markets. They want fair competition. It's the American way."

But less than a year later, everybody seems to have lost, especially Enron's investors. Enron's stock is plunging, and questions about its finances are mounting.

Some experts in the energy industry worry that if the crisis at the company worsens, trading in natural gas and electricity could be seriously disrupted and energy prices could grow more volatile. In a worst-case outlook, Enron could become the 2001 version of Long-Term Capital Management, the huge hedge fund whose collapse roiled financial markets during the fall of 1998. Enron's shares have fallen more than 80 percent this year, erasing \$50 billion in shareholder value.

Enron closed on Friday at \$15.40, down 95 cents, after hitting a 52-week low of \$15.04 earlier in the day.

The future of electricity deregulation is in doubt, thanks to blackouts and soaring power prices in California earlier this year - a crisis that ended only when that state contradicted deregulation's basic tenets by intervening deeply in the power market. Enron's efforts to become a profit-making water supplier and to create a new market in broadband communications capacity have been expensive failures. In August, Mr. Skilling quit, forcing Kenneth L. Lay, his predecessor as chief executive and still Enron's chairman, to resume day-to-day control of the company.

The company declined to make senior executives, including Mr. Lay, available for comment, and asked that questions be submitted in writing. Mr. Skilling could not be reached.

Enron's problems boiled over earlier this month, when it disclosed that its shareholders' equity, a measure of the company's value, dropped by \$1.2 billion in the last quarter because of a deal disclosed only very hazily in Enron's regular financial statements. The Securities and Exchange Commission is looking into the company's financial reporting, and some investors question whether Enron has overstated profits at its primary business of trading electricity and natural gas.

THE slump in the company's shares accelerated after Enron revealed the fall in its shareholders' equity. On Wednesday, the company forced out its chief financial officer, Andrew S. Fastow, who is at the center of the controversy over Enron's confusing finances. The company, which six months ago seemed to be reaping billions of dollars from California's energy crisis, today faces a potential cash crunch.

The surprise about shareholder equity inflamed investors' smoldering concern about Enron's opaque financial statements. Now, with Wall Street analysts and bond-rating agencies demanding more information about the complex transactions that have fueled the company's profits, Enron has been reduced to issuing news releases assuring investors that it has adequate access to cash.

Enron does not appear to be in immediate danger of running out of cash. On Thursday, the company drew down a \$3.3 billion credit line it had previously arranged with a group of banks led by Citigroup and J. P. Morgan Chase, which have each extended at least \$400 million. But because of Enron's importance in the natural gas and electricity markets, industry experts say that any problem at the company could disrupt energy trading nationwide.

The supply of natural gas and electricity would probably not be affected even if the company failed, because Enron is mainly a trader, rather than a producer, of energy. But a crisis at the company might increase the volatility of energy prices, which have swung wildly in the last year.

Philip K. Verleger Jr., an energy- markets economist, emphasized that he thought Enron would survive this crisis. But he said it was not clear what would happen if Enron ran out of cash or if traders that use the company's EnronOnline Internet trading marketplace defaulted on their obligations.

"You suddenly have all these positions they have taken on there - are they good? Are the firm's hedges good? What's the situation?" Mr. Verleger said. "It's got everyone scared."

In the short run, Enron's credit rating may be its biggest problem. If the company's rating falls below investment grade, Enron could be forced to issue tens of millions of shares of stock to cover loans that it has guaranteed. But creating new shares would make the shares that already exist less valuable, because those shares would no longer represent full ownership of the company.

A drop in the company's credit rating could also prompt other energy traders and producers to back away from doing business with Enron, hurting the company's sales and profits.

Enron's credit rating stands several notches above the critical point. But its bonds, which are publicly traded, have fallen so low that they are now offering interest rates of almost 10 percent, comparable with many junk bonds. Two of the three major credit-rating agencies, Moody's Investors Service and Fitch Investors Service, have put Enron's bonds on review for possible downgrades.

"The issue that's in the front of everybody's mind right now is credit," said Mark Gurley, senior vice president and general manager for trading at Aquila Inc., one of the nation's largest energy traders. Aquila is based in Kansas City, Mo.

For now, Aquila and other major energy traders and producers, including Reliant Energy, the El Paso Corporation, and Dynegy are continuing to do business with Enron. And Mr. Gurley said that Enron's own trading in the electricity and natural gas markets did not suggest the sort of frenzied selling reminiscent of the collapse of Long-Term Capital Management in 1998.

"They haven't done anything trading-wise that gives me any indication they are closing their books down," he said.

Still, some executives at other companies said they were looking more carefully at transactions with Enron, especially long-term contracts. They also said risk-management and credit officers were calling each other regularly to discuss the situation.

Mark Palmer, an Enron spokesman, said on Friday that no energy- trading company had stopped doing business with Enron. He declined to say whether any of the company's trading partners had suspended or altered credit terms. He said the company was continuing to see normal volumes of business.

But the crisis that Enron will face if its credit rating is downgraded is just a symptom of the bigger problem the company must confront. For years, the details of Enron's finances have been a mystery even to the Wall Street analysts whose job it is to follow the company, and to the investors who own its stock and bonds. When Enron's profits were soaring and it was creating lucrative new markets, shareholders did not seem to care about the impenetrability of its financial statements.

Now they do. Yet the company seems incapable of offering straight answers to the questions investors ask.

To others in the industry, the opaqueness of the company's financial statements parallels Enron's efforts to keep its energy-trading business lightly regulated and free of disclosure requirements. Though they do not expect Enron to crumble like Long-Term Capital Management, they say that, like the giant hedge fund, Enron uses a lot of debt, regulatory oversight is limited and outsiders have a difficult time figuring out its finances.

The most pressing concerns are a series of partnerships and trusts Enron created to move some of its assets and debt off its balance sheet. With names like Marlin and Osprey, the partnerships have at least \$3.3 billion in bonds outstanding, backed by assets like a stake in Azurix, Enron's water company subsidiary. Enron has promised that if the partnerships' debts exceed the value of their assets, Enron will issue enough new shares to make up the difference.

DEALS with partnerships formed by Mr. Fastow, who was chief financial officer when they were organized, led to the \$1.2 billion write-off in shareholders' equity that Enron announced last week. The company has offered only skimpy details of its transactions with those partnerships.

Enron ended its relationships with those partnerships in the last quarter, after being criticized by shareholders. In the process, it wrote off a promissory note that it had carried on its books, reducing its shareholders' equity by \$1.2 billion. But, because of complex accounting rules, the transaction was not apparent in Enron's quarterly earnings report.

The transaction disturbs investors because it suggests that Enron may have found a way to hide losses, throwing the accuracy of its financial statements into question. When Enron released third-quarter earnings on Oct. 16, it reported a loss from \$1 billion in write-offs on failed investments. The earnings statement did not mention the additional \$1.2 billion equity write-down. But the company said its core business had been solidly profitable, and its shares rose.

In a conference call with analysts after the announcement, Mr. Lay, Enron's chairman, also disclosed the reduction in shareholder equity. The reference was a brief one, however, and some listeners did not catch it. Those analysts were angered when they found out the next day what Enron had done, and many were confused by the accounting procedure. Enron's stock began to slide, and investors clamored for more information about the write-off. But so far, the company's efforts to clear up the situation have further unnerved investors.

Mr. Lay has met with investors during the last two weeks to try to explain the deals, but some on Wall Street say they have come away with doubts about Mr. Lay's grasp of the situation. They say that the two people at Enron who appear to have been most knowledgeable about the deals - Mr. Skilling and Mr. Fastow - have both left the company.

In an interview in late August, Mr. Lay said he did not know some details about the deals involving Mr. Fastow. In response to one question about them, he said, "You're getting way over my head."

Mr. Palmer of Enron disputed any suggestion that Mr. Lay did not have a grasp of the investments at issue, saying Mr. Lay was handicapped in talking about them because of the S.E.C. investigation. "There is not a whole lot we can say, or should say, about them," Mr. Palmer said. He also said the company expected to generate about \$3 billion in cash through asset sales by the end of next year.

In a conference call on Tuesday, analysts pressed Mr. Lay and other top Enron executives to reveal more information about the LJM write-down and its other partnerships. Instead, they offered only vague explanations of the deal, leaving Wall Street worried that more write-offs might be coming.

David Fleischer, a Goldman, Sachs analyst and a longtime supporter of the company, was among those who came away concerned. "If Enron is unable to clarify its off-balance-sheet transactions and restore confidence in the very near term by assuring investors that no more surprises are forthcoming that would affect the balance

sheet or liquidity position, then the company will likely lose access to the capital markets," he wrote in a research note after the call.

To try to reassure investors, Enron said late Thursday that EnronOnline, its Internet-based trading exchange, executed more than 8,400 trades that day, a higher-than-normal volume.

"We know we have our work cut out for us if we are to rebuild our credibility with the investment community - and we're working on that," Mr. Lay said in a statement. "But in the meantime, the best evidence of our strength is the willingness of customers to bring their business to Enron."

But those reassurances apparently are no longer enough for Wall Street. Enron's stock tumbled almost 6 percent Friday, to its lowest levels in six years.

Now analysts are scrambling to figure out the extent of Enron's off-balance-sheet debt and to assess the risk that the company will have to issue new shares to make good on its partnership guarantees.

Carol Coale, an analyst at Prudential Securities in Houston, calculates that Enron may have close to \$9 billion in off-balance-sheet debt. She said that Enron had for two years been trying to sell about \$6 billion in foreign assets - including properties in Latin America and a power plant in India embroiled in a dispute with the state government - and she worries about those prospects for sale in light of Enron's problems and the souring economy.

"As Enron is forced to sell assets to keep the ratings agencies off their backs, they may have to write those assets down," Ms. Coale said. On Wednesday, she downgraded her rating on Enron to "sell" from "neutral."

"The bottom line is, it's really difficult to recommend an investment when management does not disclose the facts," Ms. Coale said.

Short-sellers, who attacked Enron's accounting even before the company disclosed the write-off, say the company's problems may run even deeper than analysts fear. Enron may have used the partnerships not just to finance money-losing investments but to hide losses in its core trading business, they say.

"The company still isn't disclosing enough to know whether the core business, the trading business, is profitable," said Mark Roberts, director of research at Off Wall Street, which recommended shorting Enron's stock on May 7, when it stood at \$59.43. "The issue remains: why are they doing these transactions? Our theory has been that the core operations aren't that profitable."

James Chanos, a leading short-seller who has bet that Enron's stock will fall, said, "Is Enron booking gains when it has real profits, but hiding the losses when deals go against it?" Mr. Palmer of Enron said the company stood by its reported energy-trading profits.

Even traders at other energy companies say they do not have a clear picture of Enron's positions. Enron maintains that it is in no danger of being wiped out by a sharp move in electricity or gas prices because it keeps its trading book balanced - meaning the energy it has agreed to sell is offset, in roughly equivalent amounts, by energy it has agreed to buy.

"With these guys, they tell us - and all you've got is their word - that they're hedged," said Mr. Verleger, the economist.

IN fact, Enron has lobbied forcefully over the years to limit regulation and disclosure of its trading operations. Last year, the company successfully lobbied Congress to effectively ensure that its Internet-trading platform would be exempted from regulation by the Commodity Futures Trading Commission.

Enron and other power traders do file limited information in reports to the Federal Energy Regulatory Commission, the agency that oversees wholesale electricity and natural gas markets. But the commission does not keep track of specific transactions and prices.

Large-scale energy trading has existed for only about a half-dozen years. Enron pioneered the business, and now dominates it, accounting for about one-quarter of all trading in the United States.

Before Congress and federal regulators opened up the market for wholesale electricity, a process that began in

earnest a decade ago, the power business was a simpler affair. Utilities were given areas of monopoly service, and their rates - and ability to deliver enough electricity - were overseen by state regulators. But with the move to deregulate the business, independent and unregulated generators and traders have flourished, providing an ever-growing portion of the nation's power.

Beginning in the 1980's, the sale and transportation of natural gas was also deregulated, spurring Enron, which used to be primarily a gas-pipeline company, to move into the trading business.

The company's shift to trading gas and electricity accelerated in the mid-1990's, with the ascension of Mr. Skilling, who became chief executive in February, just six months before his unexpected resignation. Underscoring the change in direction, in securities filings this year Enron described its principal business as "security brokers, dealers and flotation." Before, it had said it was in the business of "wholesale-petroleum and petroleum products."

For most of its ascent, Enron reported outstanding profit figures and Wall Street accepted them with pleasure. A year ago, when it disclosed the first transactions with partnerships led by Mr. Fastow, the company's former chief financial officer, analysts who asked questions were told that the deals were routine and were being disclosed only because of Mr. Fastow's involvement.

Enron does not appear to face an immediate cash crunch. But the bank credit lines that it drew on last week to pay off its short-term debt will have to be renegotiated next spring. The controversial partnerships do not have to pay their debts until the following year - unless Enron loses its investment-grade credit rating before that.

ENRON will also need to maintain its large trading positions, which could suffer if participants in those markets grow more nervous about Enron's credit. When Long-Term Capital was stumbling in 1998, some Wall Street rivals sold the securities they thought Long-Term owned, trying to force Long-Term to sell its positions quickly and at a loss. Something similar in energy markets might be possible. If so, Enron might find, as Long-Term did, that positions that should offset each other do not.

Enron's new chief financial officer may yet persuade investors that in fact the company's profits are real, and that its condition is better than the short-sellers believe. As questions are answered, confidence, and the share price, could rebound.

But for now, investors are skittish, and some competitors are eager to take advantage of Enron's plight.

**Carleton, Norman**

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**From:** Schultheiss, Heidilynne  
**Sent:** Monday, October 29, 2001 3:49 PM  
**To:** Carleton, Norman; Nickoloff, Peter  
**Subject:** Enron Taps All Its Credit Lines to Buy Back \$3.3 Billion of Debt

October 27, 2001

## **Enron Taps All Its Credit Lines to Buy Back \$3.3 Billion of Debt**

By FLOYD NORRIS

The Enron Corporation, trying to reassure investors that it has ample liquidity, began to repurchase all its outstanding commercial paper yesterday, using \$3.3 billion it borrowed from banks by depleting its lines of credit.

An Enron spokesman said that when the commercial paper repurchases are completed the company will retain more than \$1 billion in cash.

The moves did not appear to reassure investors, as Enron's share price fell to another six-year low. Shares traded as low as \$15.04 yesterday, before ending the day at \$15.40, down 95 cents.

The move will raise the interest expense for the company, because banks normally charge more than companies have to pay in the commercial paper market, and because its outstanding debt will rise by the additional \$1 billion.

Enron's debt is rated investment grade. But its bonds now trade below investment grade levels, although not so low that it appears investors fear an early default. But with the bonds trading so low, it is unlikely Enron will be able to sell more commercial paper.

Enron's stock has been plunging since Oct. 17, shortly after it disclosed that its third-quarter balance sheet, which has yet to be released, will show a \$1.2 billion reduction in shareholder equity as a result of complicated transactions involving partnerships formerly controlled by Andrew Fastow, who was the company's chief financial officer until he was replaced on Wednesday.

The stock has lost more than half its value since the earnings announcement, and the company has disclosed that the Securities and Exchange Commission has asked questions about its accounting practices.

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## Carleton, Norman

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**From:** Schultheiss, Heidilyne  
**Sent:** Monday, October 29, 2001 3:52 PM  
**To:** Carleton, Norman; Nickoloff, Peter  
**Subject:** House "stimulus" package showering \$254 million on Enron

Enron is mentioned in the third paragraph -- I highlighted the text in red ...

October 27, 2001

## How to Lose a War

By FRANK RICH

Welcome back to Sept. 10.

The "America Strikes Back" optimism that surged after Sept. 11 has now been stricken by the multitude of ways we're losing the war at home. The F.B.I. has proved more effective in waging turf battles against Rudy Giuliani than waging war on terrorism. Of the more than 900 suspects arrested, exactly zero have been criminally charged in the World Trade Center attack (though one has died of natural causes, we're told, in a New Jersey jail cell). The Bush team didn't fully recognize that a second attack on America had begun until more than a week after the first casualty. The most highly trumpeted breakthrough in the hunt for anthrax terrorists - Tom Ridge's announcement that "the site where the letters were mailed" had been found in New Jersey - proved a dead end. And now the president is posing with elementary-school children again.

Given that this is the administration that was touted as being run with C.E.O. clockwork, perhaps it should be added to the growing list of Things That Have Changed Forever since Sept. 11. But let's not be so hasty. Not everything changes that fast - least of all Washington. The White House's home-front failures are not sudden, unpredictable products of wartime confusion but direct products of an ethos that has been in place since Jan. 20.

This is an administration that will let its special interests - particularly its high-rolling campaign contributors and its noisiest theocrats of the right - have veto power over public safety, public health and economic prudence in war, it turns out, no less than in peacetime. When anthrax struck, the administration's first impulse was not to secure as much Cipro as speedily as possible to protect Americans, but to protect the right of pharmaceutical companies to profiteer. The White House's faith in tax cuts as a panacea for all national ills has led to such absurdities as this week's House "stimulus" package showering \$254 million on Enron, the reeling Houston energy company (now under S.E.C. investigation) that has served as a Bush campaign cash machine.

Airport security, which has been enhanced by at best cosmetic tweaks since Sept. 11, is also held hostage by campaign cash: As Salon has reported, ServiceMaster, a supplier of the low-wage employees who ineptly man the gates, is another G.O.P. donor. Not that Republicans stand alone in putting fat cats first. In a display of bipartisanship, Democrats - lobbied by Linda Hall Daschle, the Senate majority leader's wife - joined the administration in handing the airlines a \$15 billion bailout that enforces no reduction in the salaries of the industry's C.E.O.'s even as they lay off tens of thousands of their employees.

To see how the religious right has exerted its own distortions on homeland security, you also have to consider an administration pattern that goes back to its creation - and one that explains the recent trials of poor Tom Ridge.

Mr. Ridge is by all accounts a capable leader - a successful governor of a large state (Pennsylvania) who won the Bronze Star for heroism in Vietnam. A close friend of George W. Bush, he should have been in the administration from the get-go, and was widely rumored to be a candidate for various jobs, including the vice presidency. But after being pilloried by the right because he supports abortion rights, he got zilch. Instead of Mr. Ridge, the administration signed on the pro-life John Ashcroft and Tommy Thompson - who have brought us where we are today.

The farcical failures of these two cabinet secretaries are not merely those of public relations - though Mr. Thompson often comes across as a Chamber of Commerce glad- hander who doesn't know his pants are on fire,

and Mr. Ashcroft often shakes as if he's not just seen great Caesar's ghost but perhaps John Mitchell's as well. Both have a history of letting politics override public policy that dates to the start of the administration. They've seen no reason to reverse their partisan priorities even at a time when the patriotic duty of effectively fighting terror should be their No. 1 concern.

Pre-Sept. 11, Mr. Thompson, in defiance of science, heartily lent his credibility to the Bush administration's stem cell "compromise" by going along with its overstatement of the viability and diversity of the stem cell lines it would deliver to researchers. Post-Sept. 11, he destroyed his credibility by understating the severity of the anthrax threat, also in defiance of science. Now he maintains that the \$1.5 billion the administration is requesting to plug the many holes in our public health system - almost all of it earmarked for stockpiling pharmaceuticals, not shoring up local hospitals - is adequate for fighting bioterrorism. This, too, is in defiance of all expert estimates, including that of the one physician in the Senate, the Republican Bill Frist.

It should also be on Mr. Thompson's conscience that for the first two weeks of the anthrax crisis he kept the federal government's house physician - David Satcher, the surgeon general and a much-needed honest broker of public health - locked away, presumably because Dr. Satcher, a Clinton appointee, became persona non grata in the Bush administration for issuing a June report on teenage sexuality that angered the religious right. Only after Mr. Ridge arrived on the scene was the surgeon general liberated from the gulag.

As for Mr. Ashcroft, he has gone so far as to turn away firsthand information about domestic terrorism for political reasons. Planned Parenthood, which has been on the front lines of anthrax scares for years and has by grim necessity marshaled the medical and security expertise to combat them, has sought a meeting with the attorney general since he took office but has never been granted one. This was true not only before Sept. 11 but, says Ann Glazier, Planned Parenthood's director of security, remains true - even though her organization, long targeted by such home-grown Talibans as the Army of God, has a decade's worth of leads on "the convergence of international and domestic terrorism."

Ms. Glazier found the sight of Mr. Ashcroft and other federal Keystone Kops offering a \$1 million reward for anthrax terrorists a laughable indication of how little grasp they have of the enemy. "Religious extremists don't respond to money," she points out. Such is the state of the F.B.I., she adds, that one agent told a clinic to hold onto a suspect letter for a couple of days "because we have so many here we're afraid we're going to lose it" (perhaps among the Timothy McVeigh documents).

If either the attorney general or the secretary of health and human services inspired anything like the confidence that, say, Mayor Giuliani does, there wouldn't have been a need to draft Mr. Ridge. Even so, he's mainly a P.R. gimmick - a man who should have been in the administration in the first place reduced to serving as a fig leaf for lightweights. As director of homeland security, he's allegedly charged with supervising nearly 50 government agencies - so far with roughly a dozen staff members. When asked to define Mr. Ridge's responsibilities, Ari Fleischer said on Wednesday that it was "a very busy coordination job," but so far Mr. Ridge is mainly sowing still more confusion.

The one specific duty that he has claimed - in an interview with Tom Brokaw - was that he'd be the one "making the phone call" to the president to shoot down any commercial airliner turned into a flying bomb by hijackers. That presumably comes as news to Donald Rumsfeld, who made no provision for any homeland security czar in the Air Force chain of command he publicly codified days after Mr. Ridge's appointment.

Since the administration tightly metes out the news from Afghanistan, we can only hope that the war there is being executed more effectively than the war here - even as Mr. Rumsfeld and his generals now tell us that the Taliban, once expected to implode in days, are proving Viet-Cong-like in their intractability. The Wall Street Journal also reported this week that "instead of a thankful Afghan population, popular support for the Taliban appears to be solidifying and anger with the U.S. growing."

Maybe we're losing that battle for Afghan hearts and minds in part because the Bush State Department appointee in charge of the propaganda effort is a C.E.O. (from Madison Avenue) chosen not for her expertise in policy or politics but for her salesmanship on behalf of domestic products like Head & Shoulders shampoo. If we can't effectively fight anthrax, I guess it's reassuring to know we can always win the war on dandruff.

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## Carleton, Norman

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**From:** Schultheiss, Heidilynne  
**Sent:** Monday, October 29, 2001 3:57 PM  
**To:** Carleton, Norman; Nickoloff, Peter  
**Subject:** Enron Ousts Finance Chief as S.E.C. Looks at Dealings

October 25, 2001

### **Enron Ousts Finance Chief as S.E.C. Looks at Dealings**

By FLOYD NORRIS

The Enron Corporation, its stock battered by a sudden loss of investor confidence, yesterday ousted its chief financial officer, Andrew S. Fastow, whose involvement in complicated transactions with Enron has drawn the scrutiny of the Securities and Exchange Commission.

"In my continued discussions with the financial community, it became clear to me that restoring investor confidence would require us to replace Andy as C.F.O.," Kenneth L. Lay, Enron's chairman and chief executive, said in a statement announcing the change. Only one day before, Mr. Lay had told investors in a conference call that he and the Enron board "continue to have the highest faith and confidence in Andy."

The company said that Mr. Fastow had taken a leave of absence, but it also named his successor, Jeffrey McMahon, the head of Enron's industrial markets group and a former corporate treasurer.

Enron said none of the officials were available for interviews last night.

The move came after the close of trading on the New York Stock Exchange, where Enron's shares fell \$3.38, to \$16.41. The price has been cut in half since Oct. 16, when Enron reported its third-quarter earnings. A \$1.2 billion reduction in shareholder equity brought on by ending some relationships with partnerships that Mr. Fastow had headed was not disclosed in the earnings news release. Mr. Lay briefly mentioned it in the conference call that followed, but some analysts thought he was referring to a separate \$1 billion write-off that was disclosed in the earnings document, and were angered when they later learned about it.

On Tuesday, when both Mr. Fastow and Mr. Lay discussed the company with analysts on the conference call, neither was willing to discuss details of the transactions between Enron and the partnerships formerly controlled by Mr. Fastow. Mr. Lay cited the S.E.C. inquiry in declining to discuss the details of the transactions.

The fact the transactions took place has been known for a year, but Enron's disclosures have been widely criticized for being impossible to understand.

By structuring the deals as involving forward commitments to deliver Enron stock, it appears that Enron was able to assure that losses on them would not lead to reported losses, but instead to reductions of shareholder equity that had no effect on the income statement. That is one of the issues the S.E.C., whose inquiries were disclosed Monday by the company, is expected to address.

Concerns have also grown this week over whether Enron will face losses from complicated financing strategies that kept billions of dollars of debts off its balance sheet but left the company responsible for paying - either in cash or with stock - if things went wrong. On Tuesday, Mr. Fastow assured investors that the company "expects to continue to have sufficient liquidity to meet normal obligations," and said it had bank credit lines that were more than adequate.

Mr. Fastow was viewed as one of the architects, with Jeffrey K. Skilling, the former Enron chief executive who resigned in August, of the change in business strategy that turned Enron from a gas-pipeline company into an energy trading powerhouse that developed a large Wall Street following. Its stock price peaked in the summer of 2000 at \$90.75.

According to a person close to the company, while Mr. McMahon, Mr. Fastow's successor, was Enron's treasurer, he told Mr. Skilling, who at the time was the chief operating officer, that he thought the partnerships

involving Mr. Fastow presented a conflict of interest. After that discussion, Mr. McMahon moved to a different job at the company, this person said.

Shares of Enron traded as low as \$15.51 yesterday afternoon, the lowest price for the stock since early 1995, before recovering. In after-hours trading, they fell to \$16.14.

One of the factors that hurt the stock yesterday was a decision by M. Carol Coale, an analyst at Prudential Securities, to drop her rating to "sell" from "hold." She had lowered the rating to "hold" from "buy" on Monday.

"After the S.E.C. inquiry was announced," she said in an interview yesterday evening, "Enron should have addressed it by delivering a scapegoat, as a gesture to the Street. Now they are replacing him today. The timing is a little late, but I think it will be received positively by the Street."

But she said that investor sentiment might work the other way. "People could fear that if you remove Fastow from the management team, you'll never get any answers."

**From:** Schultheiss, Heidilynne  
**Sent:** Monday, October 29, 2001 3:59 PM  
**To:** Carleton, Norman; Nickoloff, Peter  
**Subject:** Enron Tries to Dismiss Finance Doubts

October 24, 2001

## **Enron Tries to Dismiss Finance Doubts**

By FLOYD NORRIS

Enron has ample access to cash, the company's chief executive said yesterday as he assured investors that there was no need for additional write-offs stemming from unusual financing activities.

In a conference call with investors that was hastily scheduled after Enron's stock plunged on Monday, the chief executive, Kenneth W. Lay, strongly defended the company's chief financial officer and said there was no conflict of interest involved in transactions that the Securities and Exchange Commission was looking into.

But he refused to go into detail on the transaction that Enron made with partnerships run by Andrew S. Fastow, the chief financial officer. In addition, Mr. Fastow, while declaring that Enron "expects to continue to have sufficient liquidity to meet normal obligations," declined to answer any questions about it.

The conference call, which began just as trading opened on the New York Stock Exchange, at first seemed to be reassuring investors. Within minutes of the beginning of the call, the share price rallied to \$23.25. But it soon began falling, and ended the day down 86 cents, at \$19.79. The day's low of \$19.62 was the lowest since Jan. 12, 1998, and was down 78 percent from the high set by the stock in the summer of 2000.

Until recently, most investors focused on the company's reported operating earnings, which showed good results as it became a leading player in energy markets. But the focus has shifted to a series of transactions, some involving off-balance-sheet financing. One, involving partnerships controlled by Mr. Fastow, led to a \$1.2 billion reduction in shareholder equity that raised concern last week and led to S.E.C. inquiries that the company disclosed on Monday.

One of the company's strongest supporters has been David Fleischer, an analyst at Goldman, Sachs. But he told Mr. Lay on the call yesterday that Enron had to be more forthcoming with information. "There is an appearance that you are hiding something," he said.

After the call, Mr. Fleischer expressed disappointment. "They've engaged in a number of transactions that one wonders about, and that are hard to understand," he said in an interview. "They have not been as forthcoming in explaining them" as is needed, he said. But he said he was still recommending the stock. "I don't think accountants and auditors would have allowed total shenanigans," he said. "In the absence of total shenanigans going on at this company, there is tremendous value here."

Mr. Lay cited the S.E.C. inquiries as a reason for not discussing details on the transactions involving the partnerships that were controlled by Mr. Fastow. But he emphasized that both he and the company's board "continue to have the highest faith and confidence in Andy."

Mr. Lay said that auditors from Arthur Andersen had carefully reviewed Enron's reporting in conjunction with another off-balance-sheet vehicle, called Marlin. That company owns one-third of Azurix, an Enron subsidiary that owns Wessex, a British water utility. The auditors "have determined there is no write-down required," he said under questioning by Richard Grubman of Highfields Capital Management, a money management firm.

Mr. Grubman said that Marlin owed almost \$1 billion on debt that was guaranteed by Enron but had no assets other than the Azurix stake. Noting that Enron had paid about \$300 million to buy a third of Azurix from public shareholders and had since taken write-downs on its investment in Azurix, Mr. Grubman asked why the company was not setting up reserves to cover its exposure on that debt, which under a complicated arrangement could end up being satisfied through the issuance of Enron shares.

Mr. Lay said that no action was needed but declined to address details. Eventually he cut off Mr. Grubman. "I know you're trying to drive the stock price down, and you've done a pretty good job of it," Mr. Lay said. "But let's move on to the next question."

Mr. Fastow said the company was having no problem issuing commercial paper and had \$1.85 billion in such debt outstanding. He said it was backed by \$3.35 billion in bank lines of credit, of which \$1.75 billion will expire next May if it is not renewed.

Mr. Lay said he was sorry about "the misunderstanding" that resulted when his brief mention of the \$1.2 billion reduction in shareholder equity in a conference call last week was not noticed by some analysts. That reduction would have been apparent if the company had released its balance sheet with the earnings report, but it did not. He said the company would consider releasing balance sheets with earnings reports in the future, but made no promises.

The large reduction in shareholder equity did not affect reported earnings, and so was not in the earnings release. But it raised concerns that some of the sophisticated financing techniques used by the company might be effectively keeping losses off the earnings statement. The S.E.C. is expected to look into whether the accounting for that transaction was correct.

After one questioner on the call said it would be easier to understand Enron if it released financial statements for the special purpose vehicles that were set up to enter into such transactions as Marlin, Mr. Lay said the company "will look into providing" such statements.

## Carleton, Norman

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**From:** Schultheiss, HeidiLynne  
**Sent:** Monday, October 29, 2001 10:00 AM  
**To:** Carleton, Norman; Nickoloff, Peter  
**Subject:** Europe Energy Firms Are Wary of Enron

October 29, 2001

## Europe Energy Firms Are Wary of Enron

By REUTERS

Filed at 9:08 a.m. ET

LONDON (Reuters) - Energy companies in Europe are shying away from trading with troubled U.S. energy group Enron amid concerns about the company's credit status, industry sources said on Monday.

Several large energy groups have frozen their dealings with Enron -- one of Europe's biggest gas and power traders -- as they hold urgent talks with the U.S. group about setting up new credit arrangements, the sources said.

"I think Enron's approach is to get the major counterparties back on board as quickly as possible and then hope the smaller ones will follow," said the head of risk management at one UK utility that halted its trade with Enron last week.

"They are talking with us about bank letters of credit," he said. "The people that are still trading with them are doing so on a very restrictive basis."

A spokesman for Enron's European headquarters in London headquarters declined to comment.

Reluctance to trade with Enron in Europe comes as the company tries to rebuild investor confidence after its stock hit five-year lows.

Triggering the slide was news last week the U.S. Securities and Exchange Commission is investigating huge losses relating to a private equity operation run by its former chief financial officer.

Houston-based Enron trades a large amount of its volume in the U.S. and Europe through its Internet EnronOnline system.

Last Friday the company said trade on EnronOnline was above average levels with more than 8,400 transactions at a notional value of approximately \$4 billion.

Traders said Enron's plight could hit liquidity in European gas and power markets, where liberalization has unleashed rapid growth in energy trading in the last couple of years.

One industry source cited a brokers list showing eight companies in the UK electricity market had put on hold their trading Enron, which is among the biggest five traders in the market.

In mainland Europe, where Enron has been a major driver of liquidity, potential counterparties are trading with care.

"We are avoiding them as counterparties -- either by not trading with them or by using a 'sleeve' (a third party trader)," said a senior trader at one of Germany's big utilities, who declined to be named.

French traders said wariness about dealing with Enron had dampened liquidity although Enron was still in the market on Monday morning.

"Enron is a major player so counter parties are looking to see if there is a problem," said one French trader.



**Carleton, Norman**

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**From:** Norman Carleton  
**Sent:** Thursday, August 16, 2001 11:39 PM  
**To:** Norman Carleton; norman.carleton@do.treas.gov  
**Subject:** Enron article



AUG 15, 2001

**Enron's Chief Executive Quits After Only 6 Months in Job****02650**By **RICHARD A. OPPEL Jr.** with **ALEX BERENSON**

 ALLAS, Aug. 14 — Jeffrey Skilling, the chief executive of the Enron Corporation ([news/quote](#)), stunned Wall Street today by announcing that he would quit after just six months in the job, calling the move a "purely personal decision."

But the abruptness of the departure left many analysts questioning whether a series of setbacks the company has suffered played a part in the decision.

Kenneth Lay, Enron's 59-year-old chairman, will step back into the position he left early this year after 15 years as chief executive.

Mr. Lay, who originally recruited Mr. Skilling to Enron, said tonight that he had agreed to stay on through the end of 2005 to "make sure we've got plenty of time to work out an orderly succession."

Mr. Skilling, 47, had been at the heart of the transformation of Enron from an old-line natural gas pipeline company to the biggest and most aggressive of the new breed of unregulated energy traders that buy and sell billions of dollars of electricity and other commodities daily.

That strategy helped Enron's stock price soar during the last decade. But this year the company's shares have fallen sharply, as Enron has suffered from problems with its new broadband telecommunications trading unit, its investment in a large power plant in India, and criticism from officials in California, who blame Enron and other energy companies for the collapse of the state's electricity market.

A former energy consultant at McKinsey & Company who joined Enron in 1990, Mr. Skilling built its energy-trading operations into the company's most profitable unit, accounting for nearly \$1.7 billion — or 85 percent — of operating income last year. He became president and chief operating officer in 1997, and in February of this year became chief executive.

On a conference call, Mr. Skilling said he could not "stress enough that this has nothing to do with Enron." He added that "the reasons for leaving the business are personal, but I'd just as soon keep that private."

Mr. Skilling, who is divorced, has joint custody of three teenage children — a daughter, 17, and two sons, 14 and 11 — with his ex-wife. Mr. Skilling, who will leave the board but will serve as a consultant to the company, will not receive any severance package because his departure is voluntary, Mr. Lay said.

Since May 2000, Mr. Skilling has sold at least 450,000 Enron shares worth at least \$33 million, according to Securities and Exchange Commission filings. He still owns about 1.1 million shares, the filings show.

"Absolutely no accounting issue," Mr. Lay told analysts, "no trading issue, no reserve issue, no previously unknown  
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problem issues" are behind the departure. There will be "no change in the performance or outlook of the company going forward," he added.

He also said the company was on track to meet analysts' earnings expectations, which are about \$1.80 a share this year and \$2.15 next year.

On the call, Mr. Skilling said that "in general there have been a lot of issues" that have buffeted the company this year, but he said that he believed Enron had already surmounted most of them. "Now is the time" to step down, he said, "because I think we've got a lot of these things behind us."

Nonetheless, the move jolted analysts, who, despite the stock's recent slide and the company's other problems, saw Mr. Skilling as the unquestioned leader to follow Mr. Lay.

In after-hours trading, shares of Enron fell about 8 percent, to \$39.55. That fall follows a plunge of almost 50 percent since January in the stock, which had closed in regular trading at \$42.93, up 78 cents. The news of the executive changes came after the market closed.

"I'm surprised and I'm stunned," said Philip K. Verleger, an energy economist with the Brattle Group, a consulting firm in Cambridge, Mass. "Skilling was the guy who executed the growth in the trading business."

Investors have become increasingly concerned that a surge in new power plant construction will lead to a glut of electricity within a few years and lower the value of Enron's role as a middleman between plant owners and electricity users. In addition, the company's efforts to enter the water business have fared poorly, and its broadband trading operation has become a cash drain.

Mr. Skilling's promotion early this year came after several crucial Enron executives resigned. These included Rebecca Mark, who at one time was considered a rival for the top job.

Ms. Mark became chief executive of the Azurix Corporation (news/quote) in 1999 after Enron spun off the company, its global water business. But its financial performance was disappointing, and Ms. Mark left the company last year. Enron later agreed to buy back Azurix stock for less than half what public shareholders had paid.

**02651**

**Carleton, Norman**

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**From:** Norman Carleton  
**Sent:** Thursday, August 16, 2001 11:43 PM  
**To:** Norman Carleton; norman.carleton@do.treas.gov  
**Subject:** Enron article (2)



AUG 16, 2001

## Enron Head Seeks to Reassure Staff

By REUTERS

Filed at 4:48 p.m. ET

HOUSTON (Reuters) - The chairman of Enron Corp. ([news/quote](#)) (ENE.N) on Thursday sought to reassure employees that the energy giant's business was on firm footing as its stock faced a second day of brutal pressure on Wall Street, following a top executive's shock resignation.

Kenneth Lay told employees at a companywide meeting that Enron's business was strong, despite the extended pressure on its stock and heir apparent Jeff Skilling's unexpected resignation as president and chief executive officer.

Lay, who was met with a standing ovation when he took the podium, touched on a wide variety of topics during the 90-minute meeting during which he took questions and presented financial data he said proves the company is strong.

"We've got a lot of great stuff going on and we're not getting much credit for it in the marketplace, but we will," Lay said. "I do think the next several months and few years are going to be great for Enron."

His comments came as Enron's stock saw its worst day in 19 months, closing down \$3.40 or 8.5 percent at \$36.85 on the New York Stock Exchange. That brings its losses to roughly 13 percent since Skilling announced his resignation after the market's close Tuesday.

Lay said he believed the energy giant's stock can sustain a price-to-earnings (P-E) multiple of 25-30 going forward. It is about 20 right now, based on Wednesday's close.

"I think the current business model can easily justify a 25-30 P-E, with the current business model and in the current market," Lay said. "We can't get that 40-50 P-E back until we get our return on capital investment up."

Enron enjoyed the higher multiples as recently as March, but then the stock began an extended slump that saw it lose about half its value.

### WHO REPLACES SKILLING?

Though Lay took Skilling's duties over, he told employees that he expected to fill the void Skilling left in the office of the chairman in the next few days. Skilling, 47, was chief operating officer before Lay handed him the CEO reins in February, and the COO position has remained unfilled since then.

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The executive or executives who assume the operational role Skilling had will largely be seen as the new heir or heirs apparent to Lay, 59. Enron earlier said it would increase the office of the chairman, which previously was occupied by Lay and Skilling, to include Lay and two understudies.

"Certainly, there is a hole in the office of the chairman, and we will be addressing that very soon. I think I told some people yesterday that we were looking to do something probably in the next couple of days," Lay said.

Lay reiterated that the succession will be internal, but did not elaborate on which executives he would choose.

## MANY GLOBAL ASSETS TO GO

The best way to return Enron's stock to its headier levels will be to get a higher return on capital investment, he said. Enron hopes to glean billions from a sale of low-yield global assets, which it will then pour into high-return businesses, Lay said.

"The quickest way to do that is to monetize some of these assets," Lay said. "That doesn't mean we're going to monetize all of them."

He said Enron will still be very active in Europe, Japan, Australia and other countries, and may start working in developing countries at some point in the future.

Lay took more than a dozen questions from the audience, with topics ranging from work-a-day issues like how close cubicles will be spaced in Enron's new office building to the issue of what recourse there is for employees who have stock options that are priced in the \$80 range.

While he rebuffed a re-pricing of those options because "stockholders hate that," he did say all employees would be issued a new round of options that are priced at current levels.

Touching on another recent issue, Lay said Enron was in advanced talks to sell Oregon utility subsidiary Portland General, which was to be sold to utility Sierra Pacific for \$3.1 billion until regulatory issues scuttled the deal.

"We have another transaction that is pretty far advanced and it might be a transaction where we would even maintain some ownership interest in that business for some time. But it's not far enough advanced to talk about right now," Lay said, not revealing the name of the potential buyer.

Asked if Enron's broadband arm would suffer more layoffs if it was not successful by year's end, Lay said he thought "the odds of that are very, very small." Lay said 500 people were taken out of Enron's broadband operation, with about half being laid off and the rest being redeployed within the company.

The underperformance of the broadband business, which coincided with the broad collapse of the telecommunications market, is among several problems that have dogged Enron lately.

They include a costly payment fight with the Indian government over the \$3 billion Dabhol power plant, the vilification of Enron by California politicians who blame Texas companies for their power crisis, and the breakup of a marquee video on-demand broadband Internet deal with Blockbuster Inc. ([news/quote](#)) (BBI.N).

Answering an employee question, Lay said there was no truth to a rumor that Royal Dutch/Shell RD.AS (SHELL) was planning a hostile takeover of Enron because of the stock's recent weakness.

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**Carleton, Norman**

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**From:** Schultheiss, Heidilynne  
**Sent:** Monday, March 19, 2001 12:23 PM  
**To:** Carleton, Norman; Gross, Jared  
**Subject:** Enron Capital & Risk Management Services

Enron has a sub-site on risk management products:

<http://www4.enron.com/corp/ourservices/capitalriskmgmt.html>

**02698**

**Carleton, Norman**

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**From:** Lori.Santamorena@bpd.treas.gov  
**Sent:** Friday, January 11, 2002 1:52  
**To:** norman.carleton@do.treas.gov

CNN

CNN

**SHOW:** CNN THE POINT 20:30

**January 10, 2002 Thursday 8:30 PM Eastern Time**

Transcript # 011000CN.V68

**SECTION:** News; International

**LENGTH:** 4186 words

**HEADLINE:** Enron Political Repercussions Just Beginning

**GUESTS:** Mark Juergensmeyer, Eric Margolies, Jon Corzine, Arianna Huffington, Peter Coy, William Bradley

**BYLINE:** Catherine Crier, Sheila MacVicar

**HIGHLIGHT:** Guests discuss the collapse of Enron.

**BODY:**

THIS IS A RUSH TRANSCRIPT. THIS COPY MAY NOT BE IN ITS FINAL FORM AND MAY BE UPDATED.

(BEGIN VIDEO TAPE)

ANNOUNCER:

THE POINT, with Catherine Crier.

He's in jail. But others got away, and could try again. Tonight, why investigators have decided the alleged shoe bomber didn't act alone.

UNIDENTIFIED MALE: The combination of materials in the device and the priming mechanism appears to be quite unusual and sophisticated. ANNOUNCER: Flashpoint: where are the others?

It was the biggest bankruptcy in U.S. history.

UNIDENTIFIED MALE: Each floor at the -- at the Enron building had a floor meeting. Some floors were told you have 30 minutes and get out.

ANNOUNCER: Thousands lost their retirement savings. And the political repercussions are just beginning.

UNIDENTIFIED MALE: What's important here in the president's opinion is that this needs to be investigated from a criminal point of view to determine what went wrong with Enron.

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(END VIDEO TAPE)

ANNOUNCER: THE POINT. Now, from New York, Catherine Crier.

CATHERINE CRIER, HOST: Good evening. Well, you need something else to worry about, especially if you're a frequent flier? We've got it. Investigators have been looking over the shoes taken from shoebomb suspect Richard Reid, and they don't think he made them without help.

Now, flashpoint. Where are the others? CNN's Senior International Correspondent Sheila MacVicar brings us up to date now on the investigation.

(BEGIN VIDEO TAPE)

SHEILA MACVICAR, CNN CORRESPONDENT: Hidden in the immigrant neighborhoods of Paris are the secrets of Richard Reid's six days in this city. Somewhere here, just hours before he was scheduled to leave, intelligence sources believe Richard Reid was given the shoes containing the bombs -- the bombs he tried to set off on the American Airlines flight to Miami.

French police are urgently trying to retrace his movements. The French anti-terrorism judge is so concerned, he is now working the case full time. Investigators want to know if Reid's trip to Israel last summer was designed to test airline security, and intelligence sources say there is growing evidence he traveled at least once to Afghanistan.

European investigators and intelligence sources say they now believe that Richard Reid, far from acting alone, is part of a previously unknown terror network, one which may ultimately prove to be part of al Qaeda. And they warn that within the ranks of that network, there is a very sophisticated bombmaker.

FBI analysis of the shoes showed the bombs were made of two explosives, a combination experts say they had not previously seen: a military explosive called PETN and a homemade explosive called TATP.

TATP was the explosive used by the Hamas suicide bomber who blew himself up outside this Tel Aviv nightclub last June, killing more than 20 others.

MACVICAR: Joseph Almog is the former head of the Israeli police forensic laboratories. TATP was first analyzed in those labs.

JOSEPH ALMOG, HEBREW UNIVERSITY: It's an extremely sensitive material. Extremely sensitive. It's very sensitive to friction, to spots, to blow, and it can explode just by itself.

MACVICAR: European intelligence sources say, quote, "it is absolutely impossible that Reid made the bombs." And the former head of the FBI Explosives Unit says the bombmaker was very skilled.

CHRIS RONAY, INST. OF MAKERS OF EXPLOSIVES: The combination of materials in the device and the priming mechanism appears to be quite unusual and sophisticated. Hard to concoct it. Hard to put it together.

MACVICAR: Given the evidence, investigators now believe there is a logistics base somewhere in Europe, a place where the explosives and the bombs could be manufactured. They do not yet know where.

It is now clear, they say, the crew and passengers on board American Airlines Flight 63 averted a disaster. And they warn of the possibility of more attempts by this previously unknown terror network, of more bombs that could bring down planes concealed in places beyond the limited capabilities of airport screening. Sheila MacVicar, CNN, Paris.

(END VIDEO TAPE)

CRIER: So if there is a previously unknown terror group and bombmaker out there, is it time for everyone to fly barefoot?

Joining us from Toronto is journalist and author Eric Margolies. His book "The War at the Top of the World" is about the struggle for Afghanistan, Kashmir, and Tibet. And in Los Angeles, Mark Juergensmeyer. He's chairman of the Global Peace and Security Program at UC Santa Barbara and the author of "Terror in the Mind of God."

Gentlemen, thanks so much. Mark, let me start with you. Do you buy the theory that there is an unknown terrorist group operating primarily in Europe?

MARK JUERGENSMEYER, AUTHOR: Sure, it makes perfectly good sense. In fact, it fits in very well with what we know about al Qaeda. I mean, the common-sense notion that there is a kind of corporate structure and if we get Osama bin Laden, we get the CEO of terrorism really doesn't hold true with what we know about the way in which the network works.

There are all these small cells, these various groups, some of them working more or less independently, some with only somewhat tenuous ties to the Osama bin Laden/al Qaeda network. And it appears as if Reid was a part of one of these groups.

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CRIER: When we talk about analyzing the -- the explosive material and one being a military substance, one that the Israelis had discovered through the Hamas bombing, it is -- it still sounds like this is some great revelation to investigators, be it the CIA or those over in Europe, and that's a bit frightening.

JUERGENSMEYER: Yeah, it's...

CRIER: In other words, the premise being if they've looked at this before, there -- somebody has been making these sorts of combinations, why would this be so new, so fresh?

JUERGENSMEYER: Well, I don't think it's new to the people who have studied the al Qaeda network closely, but I think it is shocking to those of us who think that now that the war in Afghanistan seems to be over, that there is still these cells operating out someplace that we don't know about.

The other thing that's very interesting is that this is not the usual suspect. This is not a Middle Eastern male between the ages of 16 and 30 that we seem to have targeted as our prime suspect for international terrorism. This is a guy of a different background, a different ethnic background, resident of London.

All this shows that the unrest against America has a kind of larger show of strength of groups that would like to do America in in some way -- some loosely associated with al Qaeda, others more strongly -- is a much broader net than we had previously thought.

CRIER: On the other hand, Eric, this -- this guy doesn't strike me as a rocket scientist. This -- the Reid fellow. Does he seem like someone who would be integral to a network who might be participating in the building of explosives and the blowing up of a plane or possibly an underling of sorts?

ERIC MARGOLIES, AUTHOR: Catherine, he does not fit any of the normal patterns. In fact, to me, Reid looks -- fits the pattern of being your typical drug mule, that is, somebody who travels around hiding or smuggling drugs. And the pattern of his travels suggest that strongly, the places he went to.

The fact he worked as a cook and an incense salesman, supposedly. Yet he went to Israel, he went to Pakistan. He may have been in Afghanistan. He traveled around Europe with cash -- suggests a criminal. And in fact, he had a criminal background.

Now, I've spent a good deal of time with -- with Islamic militants in Pakistan and in Kashmir and other parts of the Muslim world. And he is totally atypical. These are not criminals, petty criminals, as he was. These are -- are militant, committed people.

CRIER: But Eric, back up just a minute with your analysis before you move on. And that is criminal. I don't know about a criminal record. But traveling with cash to Afghanistan, to Uzbekistan, even to Israel and across Europe, all of that could certainly be correlated with the terrorism we've seen.

MARGOLIES: Yes, it's -- it could very truly. But he's not the type of person that the terror or terrorist groups or the extremist groups would normally pick. He's very obvious.

CRIER: Wouldn't that be a brilliant plan, though? Wouldn't that be brilliant?

UNIDENTIFIED MALE: Yeah, what a perfect person to choose.

CRIER: Read all this stuff -- read all this stuff about the fact that they want to come into the United States. Here devout Muslims are wearing Western clothes, they're drinking in strip bars, for heaven's sakes. It doesn't seem so far-fetched that they begin to reach out.

MARGOLIES: No, no not so, Catherine. Because when he was stopped by the Israelis, for example, he stood out like a sore thumb. He's as tall -- almost as Osama bin Laden.

He looked like a wild man, an enrage, is the French would call him. He had Islamic texts in his backpack. And they -- so this -- he wasn't trying to sort of hide in plain sight. So the best theory is that somehow he was some poor sort of very unintelligent or retarded person who was somehow convinced to go and go on a suicide raid for reasons we still don't understand.

CRIER: Well, let me ask you about that, Mark. Trying to understand the reasons. They have made some correlation with Moussaoui, who is preparing to stand trial here in the United States because they went to the same mosque, apparently, for a time period in London. There may be even some telephonic links, I'm not sure. But they seem to be trying to tie him in through that.

JUERGENSMEYER: Yes, and what an excellent choice to make, somebody who was somewhat out of the box. I mean, we've assumed that there would be no women involved. But is it entirely impossible that maybe one of the next carriers of one of these weapons might be a woman? Might be a blond, blue-eyed woman? Somebody that you might not at all expect?

I think part of the extraordinary character of this kind of war, this kind of struggle, is it involves a movement that is diverse, a movement that

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does not follow the patterns, the usual lines, and for which our response has to be as -- as diverse and subtle as well.

CRIER: All right. But then -- one final thought from Eric. Because whatever we think Reid is part of, he is displaying something with this shoe bomb that is frightening a lot of investigators. What does that signal to you? Anything?

MARGOLIES: Well, first of all, that there are not so much a network but like-minded groups everywhere who are against the United States and who are attracting other anti-American groups around them. We're lucky that Reid was as stupid as he was and tried to light a match inside the cabin.

Supposed he had gone to the toilet and set off the bomb there. If he had had any brains he would have done that. Thank God he didn't. So next time, the -- the person who was sent may be much more clever than this. This guy was strictly expendable material. Cannon fodder.

CRIER: Absolutely. Well, next time is a chilling phrase, but one we have to remember. Eric Margolies, Mark Jurgensmyer. Gentlemen, thank you.

Now, we're going to stop worrying about terrorists for just a while and talk about money. Specifically, a stock that went from \$80 a share to a mere 66 cents. Was your retirement riding on it? Don't go away.

(COMMERCIAL BREAK)

(BEGIN VIDEO TAPE)

ANNOUNCER: Ahead, the biggest fall in corporate history.

People who lost a good chunk of change.

ANNOUNCER: Who's hurting? Who's investigating? And who's not getting involved? When THE POINT continues.

(COMMERCIAL BREAK)

CRIER: It was the biggest fall from grace in business history. Enron was ranked number seven in last year's "Fortune 500." By the time the energy merchant went bankrupt in December, its fallout wiped out \$60 billion in shareholder value and the financial, legal and political fallout, far from over.

Today, to avoid a possible conflict of interest, Attorney General John Ashcroft and his chief of staff recused themselves from the criminal investigation of Enron. The company and its executives have given tens of thousands of dollar to Ashcroft's political campaigns.

Enron also has been one of President Bush's contributors. Today the president told reporters he never discussed the company's financial problems with its chief executive, although the two met at a fundraiser. The administration also has disclosed that during Enron's fall there were contacts between its executives and Vice President Cheney, Treasury Secretary Paul O'Neill and Commerce Secretary Don Evans.

This afternoon, Enron's accounting firm, Andersen, disclosed it had destroyed a significant number of documents in recent months, something the Securities and Exchange Commission is calling, quote, "extremely serious."

All right. Congress is now looking into the Enron mess. It's also looking for lessons and ways to protect regular investors from future wipeouts.

So joining me now is New Jersey Senator Jon Corzine. He is co-sponsor of legislation to protect pension plans in the wake of Enron's collapse. Senator, thanks so much for joining us.

SEN. JON CORZINE (D), NEW JERSEY: Good evening, Catherine.

CRIER: Looking at this act, cited as the Pension Protection and Diversification Act of 2001, the point being what?

CORZINE: Very simple. When investors put all of their bets, all of their investments in one asset, one stock or a highly-concentrated portion of it, they're at a much greater risk than they would be if they had a diversified portfolio.

Most professional money managers, most people who study financial planning think about this on a -- an effective basis have a diversified portfolio, so we put a cap, a 20 percent cap.

Barbara Boxer and I introduced the bill to make that the maximum that one could hold in their 401(k) plans with regard to company stock -- actually, any stock, because diversification is a good principle for investment.

CRIER: OK. Senator, I have a little bit of trouble. While -- while I think it's a good thing for you to go in and tell companies they cannot mandate -- which I understand is part of this -- they can't make employees buy their stock. They can't prevent employees from selling stock

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within certain parameters, because so many people were trying to bail out and couldn't.

CORZINE: We also have a 90-day rule here.

CRIER: Yeah. But. But to tell people, the government, financial planners, no better than you -- since all these financial people couldn't figure out what was happening with Enron, I don't have a lot of confidence -- but to tell us we can't hold more than x amount of stock begins to bother me. Isn't that a bit Big Brother?

CORZINE: Well, there's two things that I'd comment. First of all, sometimes when there is fraud or deception in accounting statements, it's easy for investors to draw the wrong conclusions. I think there's a whole set of issues with regard to Enron that surround their accounting statements.

But as it relates to so-called interference with an individual's decision, the fact is that the federal government is sponsoring 401(k) programs. It's giving tax advantages both to the employee and the employer for encouraging these 401(k) programs.

I think they're great. I think the defined contribution programs, as embedded in the 401(k) program and a number of the ESOP programs, are great. But when the government is encouraging it, then I think we ought to follow sound principles of investment management within that context.

CRIER: The government -- the government is giving people tax breaks, as it does corporations and others in the IRS code. It's giving tax breaks to encourage savings. It's not taking the place of either a financial investor or my own judgment as to what I want to invest in.

Now, for example, when Enron was \$80 a share, I would probably be pretty angry if the Senate was telling me I couldn't buy much of that stuff that I wanted. Now, if I'm going to be foolish enough to do that, isn't that really my choice? Of course, it's very different from the company telling me I have to buy their stock.

CORZINE: Again, when I think public monies are used to encourage retirement savings -- and by the way, if you were in a divine benefit program, the ERISA laws have a 10 percent limit when professional money managers are responsible -- I think it is reasonable that the public ought to say that we use our money consistent with sound financial planning advice.

CRIER: OK. Final question...

CORZINE: And that's what you'd hear from anyone who has been involved in financial markets over time.

CRIER: Yeah, well, I do agree with the principle. But final question, Senator. All these people who have lost their retirement portfolios are going to be desperate. Anything about the Enron investigation that can give them hope they'll see money back?

CORZINE: Well, I think there is the potential that there may be some recovery from some of the individuals who have benefited from Enron, particularly inside the company.

If we find out with the fullness of time of investigations, either by the Justice Department or other entities that there was fraud involved, then I think we can go back for recovery, some people who may have assets. That's part of the process, the legal process, and I think it has to run its course.

CRIER: OK.

CORZINE: Thank you.

CRIER: Senator Jon Corzine, thank you very much.

And just as a side note, the judge down in Houston -- for all of you at home -- the judge down in Houston that's looking at this is thinking about freezing the financial assets of 29 current or former execs over at Enron. Still debating, and maybe there is some money there to glom on to.

In the meantime, anyone smell a rat in the whole Enron mess? Well, perhaps even more than one.

Joining us to do some sniffing around are "Business Week" economics editor Peter Coy, who is in New York; in Los Angeles, syndicated columnist Arianna Huffington; and in Sacramento, political writer William Bradley. He's a contributor to the "American Prospect."

Arianna, I want to start out with you. You wrote a great editorial, really took off on the political question. And it's disturbing to me that we're hearing a lot about the pension funds and money that people lost, which is critical.

We're hearing a lot about Arthur Andersen and accounting firms not doing their job. We're not hearing a lot about outright corruption and possible political connections. What about that?

ARIANNA HUFFINGTON, SYNDICATED COLUMNIST: Well, actually, that is probably the most interesting story, because it's really an

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indictment on our whole system.

It's the aura of power around Ken Lay and other Enron executives, his access to George Bush, his friendships with top Cabinet members that we are seeing that somehow has a chilling effect on any kind of investigation, watchdogs.

We had really everybody not minding the store, from political leaders who are now falling all over themselves to investigate Enron, but who really did nothing during the many months that led to the collapse, including allowing Harvey Peete (ph) to be named and confirmed by the Senate as head of the SEC, even though he had had -- all his relationships with the -- with Arthur Andersen and with many accounting firms and had lobbied against changes in the rules that would have perhaps prevented the kind of auditing that Arthur Andersen did that allowed all these things to go on unchecked for so many months.

Also, we had financial journalists, financial watchdogs, everybody giving high marks to Enron without any real investigation. I think at the heart of that is that glow of power around Ken Lay and Enron.

CRIER: Peter, to expand on that a little bit, we've got the SEC connection there. You've got the -- the head of the energy regulatory commission that was basically flipped, many say at Enron's request, so that they had a buddy over there.

The commodities exchange is supporting legislation to deregulate. Just so happens that Senator Gramm's wife, Wendy -- a top economist -- is over there. Leaves them, joins Enron. This good senator is -- is very critical in passing through that deregulation and legislation.

You've got many former Enron employees and advisers, Larry Lindsey. Now our secretary of the Army, our -- our trade head, all of these people. It is so incestuous and nobody seems to think that that access and influence could have brought down Enron.

PETER COY, "BUSINESS WEEK" ECONOMICS EDITOR: Right. I -- I think that the incest is quite remarkable, but I also think that people are drawing a connection that is far from proven so far, which is that somehow this tans energy deregulation.

I happen to think that electricity deregulation has not worked the way it's been done so far, particularly in California. But I think that the argument that because Enron collapsed, therefore energy deregulation was a bad idea, just doesn't make sense.

CRIER: Well, energy deregulation is going on all over the world. It is probably going to be the trend. We aren't going to avoid that. But that's sort of like focusing on the pension question, isn't it?

If you look at, oh, well, it's the deregulation politics or oh, it's the pension problem, that's a great way to ignore what I see as major political corruption. When I say that, I'm not pointing a finger at George W. Bush or pointing a finger at Dick Cheney.

Because you've got Republicans and Democrats who were seduced by the power Arianna described, who were influenced by the corporate contributions and who allowed tremendous access and literally direction of this country's energy policy by a company who wasn't coming clean.

COY: Right. And the point I was trying to make is that connecting Enron to the failure of electricity deregulation, the reason it doesn't make sense, if you think about it -- if the purpose of electricity deregulation had been to protect large powerful firms from failing, then you could say, yes, electricity deregulation failed to do that because Enron did fail.

That was never the point of it. The point of it was to lower rates for consumers. You could argue that that hasn't worked either. And I'm not defending electricity deregulation, I'm going against the point that Arianna made that somehow this proves -- Enron's failure proves the failure of electricity deregulation.

CRIER: I don't buy that either. But in fact, William Bradley, we have to get into the whole notion of energy, natural gas and other things like bandwidth as a commodity, which gets -- starts to get very complex and the regulations of a commodity.

But back to -- Arianna mentioned it, but nobody is talking to me and I want to hear this -- about how much influence this company had on our energy policy. How much Dick Cheney listened to them.

I was shocked when he was confronted with the six meetings, the accounting office trying to get him to tell what happened in those meetings. The White House basically said this reflects the open and inclusive approach of Cheney's energy task force, that it was dominated by Ken Lay and Enron. I don't buy it. What do you think, William?

WILLIAM BRADLEY, "AMERICAN PROSPECT": It really doesn't make any sense at all. I think as Arianna was suggesting, there's a tremendous connection between big money politics and unfettered markets. And that's what we see with Enron's role.

Enron was really the forerunner for both deregulation and for globalization in the energy markets. And both have -- have come a cropper. There are tremendous problems around the world with U.S. firms investing, running into problems in India, as Enron did. In India, they...

CRIER: Before you go into that, we've got about 15 seconds left.

BRADLEY: Oh, OK. Well. Well then.

CRIER: The point that you just made -- and I'll get you back on here, William, because this is such an important story. The point is that access will breed complacency and possibly corruption and we better get to the bottom of that.

BRADLEY: Totally deregulated markets and big money politics go hand in hand together.

CRIER: You got it.

BRADLEY: Corruption follows.

CRIER: OK. William Bradley, Arianna Huffington, Peter Coy, thank you so very much. THE POINT will be right back.

(COMMERCIAL BREAK)

CRIER: I know you've got opinions about the Enron mess. We want to know. Send that e-mail to [thepoint@cnn.com](mailto:thepoint@cnn.com).

I'm Catherine Crier in New York. Coming up next on Larry King, he takes up the issue of televising the Zacarias Moussaoui trial with guests like Mark Geragos and Julian Epstein. We'll see you back here tomorrow night. TO ORDER A VIDEO OF THIS TRANSCRIPT, PLEASE CALL 800-CNN-NEWS OR USE OUR SECURE ONLINE ORDER FORM LOCATED AT [www.fdch.com](http://www.fdch.com)

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LOU DOBBS, CNNfn ANCHOR, LOU DOBBS MONEYLINE: Good evening. The Enron (Company: Enron Corporation; Ticker: ENE; URL: <http://www.enron.com/>) debacle is taking on ominous and disturbing dimensions. It has already resulted in the largest corporate bankruptcy in history, the loss of thousands of jobs, and the loss of billions of dollars in investments. Today, Enron's accounting firm, Andersen, disclosed that it had destroyed a significant number of documents in recent months, something the Securities and Exchange Commission is calling, quote, "extremely serious".

Also today, Attorney General John Ashcroft and a top aide recused themselves from the criminal investigation of Enron. For the latest, we head to the White House, where senior White House correspondent John King is following the story -- John. JOHN KING, CNN SR. WHITE HOUSE CORRESPONDENT: Lou, good evening. Not only dramatic developments today indicating how the investigations are expanding, but also how the political ramifications of the Enron situation are stretching across Washington and deep within the Bush White House.

You mentioned the attorney general, John Ashcroft. He and his chief of staff announcing today they will recuse themselves from this relatively new, two-week-old federal criminal investigation into whether Enron defrauded its employees and its shareholders. The reason why: John Ashcroft was a Republican senator last year, seeking re-election. He received \$60,000 in contributions from Enron and top company officials. So he is stepping aside.

Here at the White House, the president announced two additional investigations. These government reviews to determine if the government needs to do more, new disclosure laws to require companies to tell their shareholders and their employees those invested in 401(k) plans, especially when their finances are deteriorating. But, of course, because of the political connections of Enron CEO Ken Lay, the president was also asked whether perhaps this long-time friend of the Bush family received any special treatment.

(BEGIN VIDEO CLIP)

GEORGE W. BUSH, PRESIDENT OF THE UNITED STATES: I have never discussed with Mr. Lay the financial problems of the company. The last time that I saw Mr. Lay was at my mother's fundraising event for literacy in Houston. That would have been last spring.

(END VIDEO CLIP)

KING: Now, Enron filed for bankruptcy in early December. We learned today that CEO Ken Lay did call two members of the Bush cabinet. In late October, he called Commerce Secretary Don Evans and the Treasury secretary, Paul O'Neill. We're told he called Secretary O'Neill a second time, a short time later, in early November. In those conversations, we are told Ken Lay said the company was at risk of not being able

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to meet its obligations and asked for help securing, boosting up Enron's bond rating. We're also told that Secretaries O'Neill and Evans conducted a quick review, spoke to each other and decided there was nothing the government could or should do. Top Bush administration officials saying tonight perhaps they should have disclosed word of those conversations a bit earlier. But the White House press secretary, Ari Fleischer, saying in the end, any investigation will show this administration did absolutely nothing wrong.

(BEGIN VIDEO CLIP)

**ARI FLEISCHER, WHITE HOUSE PRESS SECRETARY:** What's important here in the president's opinion is that this needs to be investigated from a criminal point of view to determine what went wrong with Enron as well as from the Department of Labor to protect the pensioners who worked for Enron, the employees of Enron. But in addition, it's very important to look at policies to make certain this doesn't happen to anybody else.

(END VIDEO CLIP)

**KING:** Again, the administration saying any investigation will prove that when a major friend, a contributor of this president asks for help, the answer was no. But Democrats say they still want more information on any contacts between Enron, CEO Ken Lay and other top officials with the president, with the vice president and anyone else, senior officials of this administration. So as the investigations continue, so, Lou, too will the political fallout.

**DOBBS:** John, thank you very much. And we will be talking with **Treasury Secretary Paul O'Neill** here in this broadcast, perhaps **Commerce Secretary Don Evans** as well as these events are unfolding and the investigation of the collapse of Enron.

For more now on the criminal investigation of Enron what it could mean for its audit firm, Andersen, we turn to CNN's Susan Candiotti -- Susan.

**SUSAN CANDIOTTI, CNN CORRESPONDENT:** Good evening, Lou.

With the recusal of the attorney general and his chief of staff, the Justice Department's Enron investigation will now be overseen by Deputy Attorney General Larry Thompson. The Washington-based task force includes prosecutors based in Enron's hometown, Houston, as well as San Francisco and New York, home to the Stock Exchange and Security Exchange Commission.

National investigations like Enron's are rare because justice doesn't usually focus on a single company, but an industry like big tobacco. And the timing is critical when justice is concentrating so many of its resources on the 9/11 investigation and still unsolved anthrax attacks.

And tonight, a disturbing disclosure from Arthur Andersen, which did accounting and consulting work for Enron. The company admitting it has gotten rid of documents that could be critical to the Enron investigation. Once more, the firm says it doesn't know exactly how many documents are gone, but calls the number significant, a revelation that has the SEC hopping mad.

Here's part of Arthur Andersen's statement: In recent months, documents including electronic files related to the Enron engagement were disposed of or deleted. Millions of documents related to Enron still exist and the firm has successfully retrieved some of the electronic files.

Well, the SEC's enforcement chief, Steven Cutler, not happy, issuing this response: Destruction of documents is obviously an extremely matter. Documents are an essential ingredient in our investigations. The destruction of documents by Arthur Andersen will not deter us from pursuit of our investigation and will be included within the scope of our investigation.

Now Arthur Andersen says it has told not only the SEC, but the Justice Department and the congressional committees investigating Enron. During congressional testimony last month, Arthur Andersen's chief auditor said he warned Enron it was involved in, quote, "possible illegal acts for allegedly withholding information from its own auditors". Now Enron denied that charge.

And this night, we also have late word for you, Lou, that tonight a spokesman for Congressman Billy Tauzin of the House Energy and Commerce Committee is saying that given the disclosures by Andersen about destruction of documents, he says that the company should be prosecuted if those documents were destroyed intentionally -- Lou.

**DOBBS:** Susan, thank you. Congressman Billy Tauzin, who has been involved in this investigation on the onset, saying that anyone who did this through negligence at Andersen should be fired, anyone who did it intentionally should be prosecuted. Susan, thank you very much. Susan Candiotti from Washington.

The fallout from the collapse of Enron is far reaching of course. Yet another example: Enron has 3,500 subsidiaries; 34 of them already have filed for bankruptcy protection. I want to turn, if I may now, to Allan Chernoff, who is following this investigation. Just how did we get here, in your judgment? How has this been spiraling so quickly?

**ALLAN CHERNOFF, CNNfn CORRESPONDENT:** Well, Lou, the latest item in terms of these lost documents, apparently it all started with investigators from Billy Tauzin's committee. Four of them went down to Houston, were looking for the documents yesterday. And they were told at the Andersen offices there was a problem. And earlier today, they were informed that in fact, potentially thousands of documents, primarily electronic, they believe...

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DOBBS: Congressman Tauzin's committee, staff committee.

CHERNOFF: Precisely.

DOBBS: Committee staff rather was informed, and then came the statement and the disclosure from Andersen. Now the statement from Andersen, Allan, is intriguing for a number of reasons. And I'd like to read, and I apologize to our audience for not having this up on the screen.

But the firm says, "individuals in the firm involved with the Enron engagement disposed of a significant but undetermined number of electronic and paper documents." This appears at least to me to be the suggestion that there's some separation between the individuals of the firm and the firm itself, which is unique amongst professional services firms.

CHERNOFF: Yes. And, Lou, the people from the House Commerce and Energy Committee are saying that the deletions of these documents occurred in September, October and November when there already was some heat on Enron.

DOBBS: And the firm, the audit firm of Enron, Andersen, has retained former U.S. Senator John Danforth, as you know, to conduct an immediate and comprehensive review of Andersen's record management policy. But it goes on here to say that they're also looking to him to look for what they termed, "remedial and disciplinary actions within the firm". You're take on what that would mean?

CHERNOFF: Well, clearly they're looking for some people to blame. We don't know the full story just yet. And the investigators from the House committee are actually planning to meet with the partner in charge of the audit of Enron next Wednesday.

DOBBS: And the next steps in Washington, in terms of Capitol Hill?

CHERNOFF: We have got a lot of investigations ongoing right now, at least four, five separate investigations on Capitol Hill. And we have got also the Treasury secretary leading a number of policy reviews under direction of the president.

DOBBS: And, of course, a bankruptcy proceeding about to get underway in New York City, undetermined as yet as to whether it will be in Houston, which is the desire of many of the creditors, or New York City. What is the latest there?

CHERNOFF: That is still being battled. And today, there was a meeting, in fact, reviewing bids for energy, for the Enron trading business. The judge, Arthur Gonzalez, tomorrow in bankruptcy court may actually approve one of the bids for that business.

DOBBS: And Dynegy (Company: Dynegy Inc.; Ticker: DYN; URL: <http://www.dynegy.com/>), the punitive white knight for Enron in the early stages and later a litigant against Enron, reaching a settlement on the pipeline. Where does that stand?

CHERNOFF: Right. They have actually gone ahead. They're going to be able to go ahead and purchase the pipeline business from Enron that they wanted.

DOBBS: OK. Allan, thank you. Allan Chernoff following this story as are we all and appreciate your diligence on it. Thank you.

Well, a reminder once again, we will have much more on this developing story tonight. We will be talking with Treasury Secretary Paul O'Neill about this and a number of other issues as well.

We want to turn now to the war against terrorism, and report to you that the first wave of al Qaeda and Taliban prisoners have been flown out of Kandahar. But despite an extremely high level of security, gunfire was heard, flares were seen, as the C-17 transport aircraft sped down the runway. That aircraft took off without incident. No U.S. servicepeople were injured. A Marine spokesman says some people penetrated the outer perimeter. They were not identified, but presumably they're al Qaeda or Taliban, but they are no longer there after some search for them by the military.

Twenty al Qaeda and Taliban prisoners are being flown to the U.S. naval base as expected, Guantanamo Bay Cuba their destination. That journey covers about 8,000 miles and is expected to take about 20 hours to complete.

Our Bill Hemmer is at Kandahar airport tonight, and he heard a tracer fire while the transport plane was taking off. He joins us now from Kandahar. Bill, if I may, I'd like to start with the Pentagon, which is now saying the gunfire that took place as the plane took off, that it actually took place later and that it was not directed at the aircraft. You were an eyewitness. What can you tell us?

BILL HEMMER, CNN CORRESPONDENT: Lou, we got those reports again when they came out about 35 minutes ago. This is what we saw. We saw the C-17 taxiing toward the runway. There was tracer fire then shot up at the north end of the runway on the far side. And again, as the C-17 turned around and started heading down that runway, tracer fire was seen again.

Here is the confusion and here is why this is significant. Why was the tracer fire ignited at that time? Did they perceive shots or were they simply responding to sensors that may have been tripped on the perimeter? The C-17, as you mentioned, Lou, took off without incident. But about 15 minutes after that, there was significant red tracers crisscrossing the runway here. And we also heard several M-16s break out in a

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short exchange of gunfire. To what that was directed is not clear right now, but it did last several minutes.

We were later told by the Marines that small arms were received here and also received by covert gunships circling overhead, two to be precise. Later, we were told by the Marines that snipers were detected and perceived around the perimeter. Special forces were sent out to extinguish that threat. Members of the 101st Airborne division, U.S. Marines, scrambling at that point to take their defensive positions here, many more scrambling inside the terminal building where we were located at the time.

Again, this lasted about three to three-and-a-half hours and we're not quite sure right now, Lou, as to whether or not that security breach continues at this point, or whether or not they'll be questions for the next shipment of detainees once that gets underway at sometime in the very near future, Lou.

DOBBS: You mentioned the two covert gunships. Presumably, they were dispatched in response to the perceived breach of the perimeter. Is that correct?

HEMMER: Yes, that is indeed correct, Lou. And they were flying around, based on our perception, for about two hours time. And we did notice also, at the time that the covert gunships were basically the only type of aircraft in the air, the airport was basically and essentially shut down, no flight operations, no lights were on as the security again was breached here, and they were taking no chances.

I should mention also prior to that, the first group of detainees, Lou, two groups of 10 taken out here. It seemed very orderly and very deliberate. Security was extremely tight. And the two groups were told recently all the detainees here taken out were clean shaven from head to toe, including the much coveted beard worn by many and all al Qaeda members here in Afghanistan.

Again, a C-17, especially equipped to take the detainees on that 20-hour flight to Guantanamo Bay, Cuba. But again, as I mentioned, this is a major security breach at this point. There will be many questions about how to handle this in the future. One source said it was a trial run of sorts to make sure the security measures implemented over the past four or five days here in Kandahar indeed were upheld. There will be many questions about that when the daylight comes up several hours from now, Lou.

DOBBS: One final question, Bill, the perimeter, presumably, manned by U.S. forces rather than Afghan. That would be my presumption. Is that a correct presumption?

HEMMER: Lou, at this point, here's our understanding: Two perimeters here in Kandahar, the interior and the exterior. The interior is guarded by the U.S. military and the other coalition forces. The exterior, we're told, is guarded by the OGs, the opposition groups, opposition groups of the Taliban and al Qaeda here in Kandahar. We are told the exterior perimeter is where the breach was determined and located, where those snipers apparently were firing again about nine hours ago here in Kandahar, Lou.

DOBBS: Bill, thank you very much. Bill Hemmer from Kandahar.

Well, CNN has learned an that an advance team of 25 U.S. special forces has landed in the Philippines. And that number could grow to 100 special forces with hundreds of maintenance and other personnel in support. They are all part of a larger U.S. military effort that could eventually number as many as 500 troops to help the Philippine government fight Muslim terrorists tied to the al Qaeda. Experts calculate that hundreds of Muslim terrorists may be in the outlying islands of the Philippines, perhaps thousands. Kitty Pilgrim has the report.

(BEGIN VIDEOTAPE)

KITTY PILGRIM, CNNfm CORRESPONDENT (voice-over): U.S. officials say the total effort could number 500 U.S. troops, including special forces troops, will be involved in the effort to root out Muslim terrorists tied to al Qaeda.

DONALD RUMSFELD, SECRETARY OF DEFENSE: Some time back, I signed understandings that we would provide some training and assistance to the Philippine government.

PILGRIM: The current effort is part of a \$4 billion military aid package approved after September 11 to provide advice, training and equipment to the Philippine forces.

MIKE VICKERS, CSIS: Helicopters, transport aircraft, patrol craft and trucks, and then a lot of stepped up training too by special forces and intelligence folks and also helicopter training for the Filipinos to give them an edge over the guerrillas. But I think the Filipino army will largely do the work themselves.

PILGRIM: The Philippines has a been a hotbed of terrorist activity. A particularly savage group, Abu Sayyaf, operates from the Philippine island of Mindanao. U.S. troops are being sent to the southern city of Zamboanga.

Abu Sayyaf terrorists are notorious for beheading their captives. Two Americans, Martin Burnham and his wife, Gracia, were taken hostage along with another American and 17 Filipino guests of a resort last May. One of the Americans and four of the other captives were beheaded in June.

ADRIAN KARATNYCKY, PRESIDENT, FREEDOM HOUSE: But it is a fact that the founders of this group participated in the struggle in

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Afghanistan. Some of them have been closely linked to Libya. So they do have links to this broader network of states and movements that have enabled and supported international terrorism.

PILGRIM: Abu Sayyaf has undeniable ties to al Qaeda. And convicted terrorists have studied in the Philippines, including Mohamed Sadeek Odeh, who was convicted for helping in the 1998 bombings of the U.S. embassies in Kenya and Tanzania. Also Ramzi Yousef, the mastermind of the first World Trade Center bombing in 1993.

(END VIDEOTAPE)

(on camera): The U.S. forces will set up a command center in the city of Zamboanga. And also expected, up to 10 helicopters and C-130 aircraft -- night flying equipment will give them an added advantage -- thousands of rifles and up to 100 motor vehicles. Lou, the troops have landed.

DOBBS: Kitty, thank you very much. Kitty Pilgrim.

Well, for more now on the U.S. military presence in the Philippines as well as the transport of the al Qaeda/Taliban fighters to Guantanamo and the continuing engagement in Afghanistan, I'm joined by Jamie McIntyre at the Pentagon -- Jamie.

JAMIE MCINTYRE, CNN MILITARY AFFAIRS CORRESPONDENT: Well, Lou, I think one of the key questions about these military trainers, special forces, going to the Philippines is exactly what they're going to be doing. And CNN has learned the mission guidance that they've been given allows for armed U.S. observers to travel with Philippine military to forward areas. Now that could potentially put them into a combat role even as the Pentagon says there are no plans to use them in direct combat. And the Philippine government says that such a use of troops would require special authorization from their Congress.

But when asked point blank today about what they -- whether they might be engaged in those kind of operations, Secretary Rumsfeld, following his well established policy, refused to speculate what they might do in the future.

And as for the detainees, the first flight is en route to Guantanamo Bay, Cuba. The United States is employing extraordinary security measures onboard the plane, keeping the detainees hooded, chained. They're not allowed to get up and go to the bathroom. They're given a bucket for that purpose. And the U.S. is extremely cautious about what these prisoners could do while they are in a confined airspace. They should arrive in Cuba by sometime tomorrow and begin to be processed there. And again, extremely tight security and some nervousness even about the transport of these very dangerous detainees -- Lou.

DOBBS: Jamie, thank you. Let me turn, if I may, to Bill Hemmer reporting from Kandahar, who says he heard and saw, of course, saw the tracer fire as the C-17 taking the al Qaeda and Taliban prisoners to Guantanamo Bay took off. The Pentagon, as I understand it, is not necessarily comfortable with that report, is that correct?

MCINTYRE: In any case like this they are trying to figure out exactly what happened. The report they got back to the U.S. central command, was that the major exchange of gunfire occurred after the plane had taken off and was apparently not directed at the aircraft, but directed at the base, testing the defenses or, you know, an assault there that coincided with the takeoff of the aircraft.

I don't think they are disputing anything Bill Hemmer saw, including some of that tracer fire early on. But they are just saying that at this point, as they go back and reassess, they don't think that what happened is an attempt to shoot at the aircraft, but rather an attempt to shoot at the U.S. forces that are at that base in Kandahar.

DOBBS: An indication, Jamie, there at the Pentagon, that there will be a further beefing up of the outer perimeter, which Bill Hemmer reported was at least momentarily breached?

MCINTYRE: Well, they have very tight security there already. So I'm not sure exactly what they'll be doing. But the have -- it just underscores, that this continues to be a war zone in a very dangerous place.

DOBBS: Jamie McIntyre, as always, thank you.

As I mentioned earlier. The first flight carrying the Taliban and al Qaeda prisoners from Kandahar are on their way to the U.S. Naval Base in Guantanamo Bay. The fact of the matter is CNN military analyst, General David Grange is here to assess, at least give us his assessment of the situation.

General, as always, good to have you here. It is interesting we have an eyewitness, one of the few incidents in which we have an eyewitness, a reporter on the ground and the Pentagon, at least in the initial stages wanting to, if you will, mold a somewhat different story. What's your reaction?

BRIGADIER GEN. DAVID GRANGE (RET.), CNN MILITARY ANALYST: Well, it depends where you're located at the incident site. A lot of people see different things.

DOBBS: Exactly.

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GRANGE: Bill probably saw some tracer fire. Was the tracer fire red, was the tracer fire green? A lot of AK-47 fire is green tracers. So, it's really hard to say. And no one knows if the perimeter was even breached. It may have been just fire. The fire could have been outgoing.

I think it is too early to tell, and I think that the security forces there took appropriate action from the rehearsals that they have conducted, which all units do when they start an operation in an area, by firing mortar flairs, helicopters, launch and check the area net. So it seems very small. This is one of those incidents that happened almost every day in Vietnam.

DOBBS: General, we have an axiom in the news -- always go with your person in the field. I believe the military has a similar axiom, so it is interesting and the good news is that no one, certainly, was injured in what did transpire.

General, let's turn to the Philippines; 100 U.S. troops, special forces, arriving there. The first elements of a force estimated to rise to as many as 500. How effective could such a small force be in a significant struggle against terrorism?

GRANGE: What we have in the Philippines is you have terrorist organizations, (UNINTELLIGIBLE) al Qaeda and probably some other organizations that again are in a guerrilla force environment. In other words, you have a counter-insurgency effort going on with the Filipino government against an insurgency to the south.

So you have fighters like the Taliban, very similar, with the terrorist nucleus within that. So what they have to do is conduct a counter terrorist training to assist the Filipino Army taking down this insurgency. That will involve -- and it doesn't involve a lot, but some special forces trainers to teach some advance techniques in this, as well as some other support and aviation units to help train and support the Filipino Army to do this counter-insurgency.

DOBBS: General, would it surprise you to learn that the U.S. military has had a presence in the Philippines before today's announcements of the arrival of U.S. Special Forces?

GRANGE: Not at all. I would think they've been there. And any -- any day of the year. Seriously. Any day of the year, you have -- I would say in over 70 countries, special ops forces, doing normal training with our allies.

DOBBS: I just wanted you to make the point if you would, General, and as you always do, the fact is that we have a significant number of special operations, elements at work around the world, but particularly in certain parts of Asia. Do you expect this to hold at 500 or do you see a more sizable commitment in the Philippines?

GRANGE: I guess it depends if this is going to be maybe truly the next major operation. You know, limited operations will take place for sure. Mainly by the Filipino Army I would believe. It may be unilateral hostage rescue or direct assaults by American forces with the permission, of course, of the Filipino government if that is necessary.

It could grow bigger. It's pretty big area down there, jungle fighting usually consumes quite a lot of troops.

DOBBS: General, thank you very much. General David Grange.

GRANGE: Thank you, Lou.

DOBBS: Coming up next, we will have more for you on tonight's developing story on the criminal investigation into Enron. We'll be joined by Treasury Secretary Paul O'Neill to discuss this and a number of other issues. We'll be taking an inside look at the corrupt world of money laundering from what you might consider an unusual source. Stay with us.

(COMMERCIAL BREAK)

DOBBS: The world of money laundering, corruption and the role played by big corporations is the subject of a new novel by Stephen Cannell. Cannell knows this material very well. He is the creator of more than 40 television crime series, such as "The Rockford Files" and "The A-Team." And he's one of the most prolific writers in television, a very astute businessman as well.

Through his production company Cannell still owns the rights to 1,000 hours of television series and movies. His new book is called "The Viking Funeral." Is a fictional account of a group of rogue LAPD officers, but Cannell's research is based some very real cases. And we are going to be turning to him in just a moment, I'm told, to discuss that book and what we have learned about the war on drugs and its relationship to the against terrorism.

Stephen Cannell are you there? OK, I'm told he's not there, and I want to apologize. Let's turn to the latest developments in the war against terrorism.

Tracer fire, as you heard Bill Hemmer report earlier in this broadcast, heard today as the first plane carrying Taliban and al Qaeda prisoners took off from Kandahar, Afghanistan. Small arms fire followed. Marines at the airport returned fire. Two Cobra gunships were launched in retaliation. There are no reports of any American injuries; 20 al Qaeda Taliban prisoners are being flown to the U.S. Naval Base on Guantanamo Bay Cuba, a trip expected to take about 20 hours.

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CNN has learned that 25 special forces soldiers on the ground in the Philippines. They will be there to help train Philippine troops to hunt down Muslim rebels tied to al Qaeda terrorist network. Sources now tell CNN that they expect the U.S. deployment to expand to more than 500 troops in the next few months.

President Bush is demanding that Palestinian Leader Yasser Arafat renounce terrorism. President Bush's words come one day after U.S. officials said there is now credible evidence that Arafat's Palestinian authority was involved in an arms shipment intercepted by Israel.

As we mentioned, **Treasury** Secretary Paul O'Neil is joining us. He is at the center of the war against terrorism, searching out, freezing terrorist assets around the world. He is also helping to manage the fallout from an economy in recession and now involved in the Enron disaster and its investigation.

There is word tonight that the entire U.S. attorney's office in Houston has recused itself from the Enron investigation. **Treasury Secretary Paul O'Neill** joins me now.

Mr. Secretary, good to have you here.

**PAUL O'NEILL, U.S. TREASURY SECRETARY:** Nice to be with you, Lou.

**DOBBS:** These are extraordinary developments in terms of Enron: the attorney general recusing himself, the president now for the first time having to deal with the issue from the White House; the reports of your conversations between Ken Lay, twice, once in October, once in November; and then his calls also to Commerce Secretary Evans as well as subsequent conversation between the two of you. If I may, sir, I'd just like to ask you what you and the commerce secretary discussed and what your decision was?

**O'NEILL:** Well, as you say, Lou, I had -- my first call from Ken Lay was for him to give me a heads-up that they were struggling and to offer the president of his company to speak with the undersecretary for domestic finance to understand the positions that they had to make so that we could make sure that we were taking care of our responsibility which is to make sure that the U.S. capital markets work. And that was the purpose of Ken's call to me, to let me know that we were welcome to have access to information so we could understand what they were doing and understand the possible exposure for the world's capital markets. The second call to me was -- I've forgotten exactly when, but Ken called me to tell me that they were in discussions with Dynegy. And it was an information only call. And subsequent to that, Don Evans called me to tell me that he'd had a call from Ken and that Ken had told him that their -- rating agencies were looking at them and there was a real concern that if the rating agencies downgraded them, that that could have effectively scuttled the deal with Dynegy. And I went down...

**DOBBS:** Which it subsequently did.

**O'NEILL:** Excuse me?

**DOBBS:** Which it subsequently did.

**O'NEILL:** That's right. And when Don called me, and we talked about it, we agreed there wasn't anything within our responsibilities that required us to do anything. And that was the end of it.

**DOBBS:** Were you asked at anytime by Ken Lay to do anything specific?

**O'NEILL:** I was not. Absolutely not.

**DOBBS:** An extraordinary statement today, the president said that he had not discussed the financial problems of Enron with Ken Lay. And I would like to ask you at any point have you discussed the financial problems of Enron with Ken Lay over the course of your tenure as **Treasury** secretary?

**O'NEILL:** Well, the only contact I had with Ken on the subject of Enron was the two times that he called me that have been reported. And I must tell you, I thought it was business as usual. I mean, as secretary of the **Treasury** with the responsibility for the U.S. capital markets and our position in world capital markets, I get calls every day from the big players in the world. Enron was the biggest trader of energy in the world. And so I was not surprised at all that I would get a call saying, hey, we've got a problem over here and you should know about it.

**DOBBS:** Although, you were, I'm sure, aware that on November 2, the auditor, head of the auditing firm Andersen had said to the finance committee, the Financial Institutions Committee, that in fact they had said that there were criminal violations as a result of their own early investigation, would that be correct?

**O'NEILL:** I have no idea. You're telling me something I don't know.

**DOBBS:** You were not aware then?

**O'NEILL:** Absolutely not.

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DOBBS: Mr. Secretary, at this point, the SEC has an investigation, the Justice Department, the Labor Department, is there a significant and large role for the Treasury Department in the investigation of Enron here?

O'NEILL: No, I don't think so at all. Today the president asked me to do two different things, one, to head a committee that includes Don Evans, the secretary of commerce, and Elaine Chao at the Labor Department, to look at the Enron case and to other bankruptcy cases, to pay special attention to the question of whether we need to amend the rules that govern pension plans and 401(k) plans to provide a greater degree of assurance to the individuals who have a stake in pension plans and 401(k) plans. And this is driven by the president's concern about the individual employees.

He's seen stories on television about people who lost all of the money that they had accumulated in 401(k) plans, that represented their life savings. And the president said to me, we need to see if there's something we need to do. This is really a -- this is a tragic circumstance for these individuals. And so you should have a committee, include Elaine Chao because of her Labor Department responsibility, and Don Evans, and let's see if there's something we need to do so that we learn from this. If there is a weakness in our rules, let's fix the rules.

And the second committee the president asked me to convene is a standing committee, that's the president's economic committee. It includes myself, and Alan Greenspan, the head the Commodities Future Trading Corporation, and Harvey Pitt at the SEC. And the charge the president has given us there is to look at the Enron case and other cases and see if in this ever more complicated world we need to adjust the disclosure rules so that shareholders, employees, have all the information that they need to make intelligent e decisions.

So this is not about Enron. This is about making sure that the rules and regulations that govern the way our economic system works are worthy of the conditions that we're dealing with these days to assure first and foremost that individuals are not hurt because of a weakness in the rules.

DOBBS: Mr. Secretary, you are certainly taking the long view when you say this is not about Enron and I understand I believe the implications to what you're saying, but for the foreseeable future, it will definitely be about Enron in the way in which thousands of employees lost their 401 (k)s, pensions, bond funds, and the investors in them lost a considerable amount of money. And so would you rate this as a significant and large task you have to assure protection for investors and employees in the years ahead?

O'NEILL: Well, I don't know. I think I was asked this question earlier today and I said this, I'm one who believes before you do prescription, you do analysis.

DOBBS: Right.

O'NEILL: If you think about this in a medical metaphor, you wouldn't want the doctor to start cutting your arms and legs off before he figured out what was wrong with you. And so I don't know what we should do. I have a clear idea what the president asked me to do and we will do it.

DOBBS: Mr. Secretary, I have no doubt. We want to go to your colleague in the cabinet immediately after this short break. We're going to be talking with Commerce Secretary Don Evans next. Stay with us.

(COMMERCIAL BREAK)

DOBBS: The world of money laundering, corruption and the role played by big corporations is the subject of a new novel by Stephen Cannell and Shane Sculley. A character that Stephen Cannell created is one of my very favorites, so it is good to have you here.

STEPHEN CANNELL, AUTHOR, "THE VIKING FUNERAL": Nice to be here.

DOBBS: Some of our audience may be wondering why you and I are talking about this. And the reason is, one of the earliest questions I was asked, as matter of fact, in the state of Texas, after September 11, if we're being so successful in this war on terrorism, why in the world weren't we so successful in the war against drugs? Your book begins to suggest some answers to that.

CANNELL: Yeah, I think we're being very lazy about some aspects of law enforcement, and if we don't prosecute these cases, you know, we aren't going to be able to shut down a good portion of the drug business.

You know that interdiction takes about 10 percent of what comes across the border, our best guess.

DOBBS: Our best guess.

CANNELL: So, what does that tell us? That means that if we are going to hit these guys, way you are going to hit them is by getting their laundries. And if you don't shut these laundries down then they continue to profit from their drug business and they continue to set-up new businesses and expand.

And we have in our grasp here, I think, the opportunity to shut down some of these big laundries.

DOBBS: How much time did you spend researching the book?

CANNELL: Quite a bit. I started with some custom officials. Worked very closely with a guy named Bill Gately (ph) , who was the ASACK in

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L.A. that was involve with this. He told me that there's a thing called the parallel market where Fortune 500 companies are basically using their product to launder Colombian drug cash. It has been going on for years and years.

DOBBS: Using certain countries, Caribbean countries, principally, as the duty-free air.

CANNELL: That's right. The duty-free companies broker these deals between the drug dealers and the cigarette companies. The cigarettes go to an island, somewhere in the Caribbean, a duty-free zone and then it is smuggled into Columbia.

DOBBS: What is the total size of the cigarette market in Columbia?

CANNELL: They believe that the market is about \$10 million.

DOBBS: And they spend -- U.S. companies -- spend in advertising, how much a year?

CANNELL: Well, over 30.

DOBBS: Now there is a \$10 million market. They are spending 30 million, and what do you think the value of the entire enterprise is?

CANNELL: I think there may be as much as a billion dollar illegal market in Columbia.

DOBBS: Just in Columbia?

CANNELL: Yes. And this advertising money is being spent to basically promote that billion dollar market.

DOBBS: You don't name names, you don't name specific tobacco company, would you like to venture forth tonight?

CANNELL: No, I mean, I will tell you what, if you go on the Internet and you punch out the black market peso exchange, and -- with any descent search engine you will get 50 stories that will name them for you -- the idea is that what I'm trying to do with this novel, this is work of fiction -- but it is based on fact -- I'm trying to do is put some heat on this idea that there is a way that we can attack drug dealers without manning these borders and trying to shut down the importation of narcotics.

DOBBS: And in my opinion, you've done just that. And as always, anytime you have Shane Sculley, I am going to read it. The fact is, what I was pointing out in terms of naming names, the lawsuits that would result are probably sufficiently bothersome that it wouldn't be...

CANNELL: Well, that is probably where we are headed. You're right.

DOBBS: All right. Stephen Cannell as always, good to see you.

CANNELL: Thank you.

DOBBS: Still ahead here, with the telecom business in the midst of the worst slump ever, we will be talking with the chief executive officer of Sprint. William Esrey will be talking about new products and plaguing problems. Stay with us.

(COMMERCIAL BREAK)

DOBBS: On Wall Street, stock prices finishing generally lower despite new signs pointing toward economic recovery. Blue Chips falling for the fourth straight session, the Dow down 26 points today. The Nasdaq gained two points however. And the S&P 500 up a point on the day.

A much anticipated advancement in telecom: the third generation technology 3G, providing higher data speed and capacity for the mobile phones of Sprint (Company: Sprint FON Group; Ticker: FON; URL: <http://www.sprint.com/>). Sprint today announcing the new product at its consumer electronics show, announcing that they will offer the 3G next generation applications and services this summer, the first to do so.

CEO William Esrey joins me now from Las Vegas to talk about the product, his company and the prospects.

Bill, good to have you here.

WILLIAM ESREY, CHMN & CEO, SPRINT: Lou, always a pleasure to be with you.

DOBBS: You've stolen the march on your competitors with the introduction of the next, if you will, generation of CDMA. How will you maintain the advantage?

ESREY: We're going to convert our entire nationwide network in the middle of the year to this third generation technology. We are fortunate that we have the frequency and we have the technology that enables us to get there. It is going to be very hard for our competitors that are frequency shy and don't have the technology that allows a graceful migration to third generation.

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So, we have an advantage. It is not often you get a distinctive advantage and we are going to be working hard to keep that advantage for a long time into the future.

DOBBS: Now in the -- in terms of the addition of new customers, some analysts are a little disappointed by a relatively small shortfall in new customers and in the third quarter. What's the fourth quarter look like for you?

ESREY: We haven't announced fourth quarter. Actually, we had a huge gain -- gain in the third quarter. We surprised people on the upside. Fourth quarter we will be announcing in a few days, and as you know, under the rules of the SEC, I'll have wait 'til then to make the announcement.

DOBBS: Oh, I was just talking about the sign-ups of new customers. I wasn't talking about earnings, Bill.

ESREY: Well, that's one that is akin to the other.

DOBBS: Your stock, like the stocks of so many companies, in particular, telecom companies, languishing here. Tremendous overcapacity in telecom in general. How long is it going to take to you work through the period?

ESREY: It's been a tough time for the whole industry. I think it is going to be sometime particularly on the wire line side. On the wireless side there isn't that. There's lot of competitors but there really isn't overcapacity.

I think most of the wireless companies are struggling to keep up with the demand of the marketplace. But on the wireline side there is a lot of capacity, it is already being absorbed, but it is not going to go away tomorrow.

DOBBS: OK, Bill Esrey, congratulations, thanks for being here and good luck in managing through what I know will be another tough year. Thanks.

ESREY: Thanks, Lou.

DOBBS: Bill Esrey.

Just ahead, we will take a look at your thoughts, including an answer to a question troubling many investors: Is this market overvalued? Stay with us.

(COMMERCIAL BREAK)

DOBBS: Now taking a look at your thoughts. Jim Davies writing in from Mexico says: "When I accentuate the positive, I'm doing viewers a disservice." His beef? That we are ignoring the high valuation of the market.

Jim writes: "The P/E level of the markets now is about double the historical norm. This might be understandable if we are in a boom economy, but we are not. We are still trying to find our way back from an incredible equity bubble, yet irrational exuberance remains in tact."

Based on the latest quarter, on an as-reported basis, it's true. The S&P 500 is trading around 40 times earnings, that's more than double the long term average. But simply putting those numbers side-by-side distorts the whole picture. As Professor Jeremy Siegel, professor of finance at the Wharton School points out, the historical average is skewed by very bad episodes in the economy, like double-digit inflation and severe recessions. And That pulled valuations down.

The professor's conclusion, you cannot use today's recessionary earnings when determining the future profit potential of companies. They're simply not out of line, he says, with the favorable economic conditions being built now.

Gordon Travis in Kalamazoo, Michigan writes in to say an economic stimulus package will only serve to stimulate the economies of other countries, saying, "isn't there something we can do to boost our own manufacturing sector? I am a displaced steel worker and it is painful to see the influx of foreign goods flooding our markets."

Buy American means more now than ever before, and unfortunately, Gordon, you have analyzed the situation precisely as it is. The manufacturing sector dwindling to its smallest level ever.

On to the government's special fund set up to help the families of those killed on September 11 and the growing outrage that we're receiving as what's being viewed by some as apparent greed by some a few of those families.

Barb Harris writes in to say, "I don't want to minimize the tragedy of that day, but tell me, how much the survivors families in Oklahoma City received."

Will Simpson in New York, writing in to say, "While our hearts are broken, and the loss of so many is a national tragedy, we have lost our perspective. Such a major commitment to create a special class of victims to be supported by the federal government is unsound and ill-conceived."

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Please send us your thoughts. Our address: Moneyline@cnn.com. Please include you name and address.

"WOLF BLITZER REPORTS" begins in just a few minutes. Let's go to Wolf now to find out what's in store -- Wolf.

WOLF BLITZER, HOST, WOLF BLITZER REPORTS: Thank you very much, Lou. The U.S. military is sending troops to a second far away country in the war against terrorism. We will go live to the Pentagon for details. Also, U.S. Marines at the Kandahar base come under hostile fire. Our Bill Hemmer is right there. And in our CNN WAR ROOM discussion, what are the new dangers facing American forces. All that and much more at the top of the hour -- Lou.

DOBBS: Wolf, thanks, we are looking forward to it.

Coming up next here, some reports that may move at least in part, some part of the markets tomorrow. Stay with us.

(COMMERCIAL BREAK)

DOBBS: Tomorrow, on the economy, the Producer Price Index for December will be reported. Federal Reserve Chairman Alan Greenspan will be talking before business leaders in San Francisco. He will be talking about the prospects of the economy. Talking in some detail for the first time in point of fact, since October of last year.

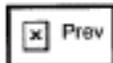
Ford is announcing its restructuring, and reportedly those plans include as many as 20,000 layoffs.

And the Enron investigation is accelerating. Enron is expected to announce a winning bid for its trading operations. The judge in that case also deciding where the bankruptcy proceedings will be held and of course Congress continuing its investigation, set tomorrow to send out subpoenas to various parties, as many as 50 subpoenas expected to be issued tomorrow.

For tonight that's MONEYLINE. Thank you for being with us. I'm Lou Dobbs. Good night from New York. "WOLF BLITZER REPORTS" begins right now.

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**Carleton, Norman**

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**From:** Lori.Santamoren@bpd.treas.gov  
**Sent:** Friday, January 11, 2002 7:48 AM  
**To:** Norman.Carleton@do.treas.gov  
**Subject:** Re: Bloomberg: Bush Task Force to Study Disclosure Rules After

saw the Secretary's interview on CNBC last night..

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01300000001339

**Carleton, Norman**

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**From:** Bair, Sheila  
**Sent:** Thursday, January 10, 2002 4:54 PM  
**To:** Carleton, Norman  
**Subject:** RE: DJ: Arthur Andersen Says It Destroyed Documents Related to Enron Account

very interesting. Norm, these clips are helpful.

-----Original Message-----

**From:** Carleton, Norman  
**Sent:** Thursday, January 10, 2002 4:50 PM  
**To:** Cetina, Jill; Bair, Sheila; Berardi, Steve; Bitsberger, Timothy; Eichner, Matthew; Gabilondo, Jose; Gross, Jared; Hammer, Viva; Lori Sanatamarena (E-mail); Nickoloff, Peter; Novey, Michael; Pietrangeli, Fred; Roseboro, Brian; Schultheiss, Heidilynne; Whaley, Jean; Wiedman, Mark  
**Subject:** DJ: Arthur Andersen Says It Destroyed Documents Related to Enron Account

January 10, 2002

### Major Business News

## **Arthur Andersen Says It Destroyed Documents Related to Enron Account**

**By JUDITH BURNS**  
Dow Jones Newswires

WASHINGTON -- Arthur Andersen LLP, already under fire for its audits of **Enron Corp.**, said it has destroyed documents sought by federal law enforcement officials investigating the Enron debacle.

In a statement issued Thursday, Andersen said it notified the U.S. Justice Department and the Securities and Exchange Commission that individuals at the firm "disposed of a significant but undetermined amount" of documents relating to its work for Enron. The Houston energy company declared bankruptcy in December after announcing it had overstated four-and-a-half years worth of earnings.

The document destruction includes paper documents and e-mail correspondence.

Andersen said it has instructed employees to retain all existing documents "until further notice."

In addition, the Chicago-based Big Five accounting firm said it has asked former Sen. John Danforth (R., Mo.) to conduct "an immediate and comprehensive review" of the firm's policies on document handling and recommend improvements.

Andersen said destruction of Enron documents occurred "in recent months" by individual employees involved in auditing the energy company.

Michael Donovan, a Philadelphia attorney with Donovan Searles, LLC, which has filed a class-action lawsuit against Andersen on behalf of Enron shareholders, said document destruction by an audit firm is shocking.

"Auditors save everything," including all work papers for audit clients, Mr. Donovan commented.

Enron was one of Andersen's largest clients, generating \$25 million a year in audit fees and \$27 million of fees for consulting. Enron, a high-flying energy company which last year ranked No. 7 on the Fortune 500 list, announced big losses last October in off-balance-sheet partnerships run by former Chief Financial Officer Andrew Fastow. In early November, Enron acknowledged it had overstated earnings by \$569 million over a four-and-a-half year period and said investors could not rely on its past financial statements.

The SEC launched a formal investigation into Enron's accounting on Oct. 31.

**Write to** Judith Burns at [judith.burns@dowjones.com](mailto:judith.burns@dowjones.com)<sup>1</sup>

## Carleton, Norman

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**From:** Schultheiss, Heidilynne  
**Sent:** Wednesday, January 02, 2002 9:41 AM  
**To:** Carleton, Norman; Nickoloff, Peter  
**Subject:** ABI ENRON UPDATE

### ENRON UPDATE

#### *Enron DIP Hearing Delayed*

The hearing over Enron Corp.'s \$1.5 billion debtor-in-possession (DIP) financing package has been delayed until Jan. 30 because the bankrupt Houston energy trader needs more time to assemble a business plan, according to *The Daily Deal*. The hearing on the DIP had been scheduled for Jan. 7, but the sources said it didn't make sense to get the final approval on the funding package until a business plan is in place. The plan would likely rely on the proceeds from the forthcoming auction in which Enron is selling a majority of its trading business. Enron had been granted approval on Dec. 4 to use \$250 million of the DIP - being led by J.P. Morgan Chase & Co. and Citigroup Inc.'s Citibank unit - but the company has not drawn on the funds. The final hearing on the DIP will be heard by **Judge Arthur Gonzalez** at the U.S. Bankruptcy Court for the Southern District of New York in Manhattan. Final objections to the DIP are due on Jan. 23.

#### *Wall Street Journal Reports Enron Heads Knew of Partnerships*

Top Enron Corp. officials knew about the financial partnerships that fueled the former energy-trading giant's downfall, and were aware of the possible conflict-of-interest issues surrounding its former chief financial officer's involvement in them, *The Wall Street Journal* reported. Internal documents indicate that the partnerships were viewed as essential to maintaining Enron's rapid growth rate, the newspaper said in its online edition. The documents also confirm the theory that top officials, including Chairman Kenneth Lay and former President Jeffrey Skilling, were very involved with setting up and overseeing the partnerships, it added. The documents include an internal memorandum from an Enron attorney to Skilling regarding the way to monitor transactions with the partnerships, as well as excerpts of minutes from the company's board and board finance committee meetings. The partnerships were run by former chief financial officer Andrew Fastow, who was ousted in October. He had been instrumental in forming outside partnerships, known as special-purpose entities (SPEs), associated with Enron that are a focus of an investigation by the U.S. Securities and Exchange Commission. Houston-based Enron is thought to have used the SPEs in transactions designed to take debt off its balance sheet and protect the good credit rating critical to its highly leveraged capital structure, according to lawyers involved in the case. After it was forced to alter this strategy and restate its financial results to consolidate the SPE transactions onto its books, Enron's corporate debt was downgraded and its stock price plummeted.

#### *Enron Creditor Opposes Data Release*

After demanding payment from insurance companies that backed more than \$1 billion worth of oil and gas contracts signed by Enron Corp., J.P. Morgan Chase is trying to prevent the insurers from getting details about the transactions, according to the Associated Press. The New York-based investment bank on Sunday filed an objection to a request made by the insurers, who are refusing to honor \$1.1 billion in surety bonds and are asking for access to Enron financial records to determine if energy contracts actually existed. The request was filed last month in U.S. Bankruptcy Court in New York. J.P. Morgan sought payment of the surety bonds after the collapse of Enron. The payment dispute between the bankers and the insurers is the subject of a separate civil lawsuit taking place in U.S. District Court. The fact that it is now spilling over into the federal bankruptcy court proceedings shows how the interests of Enron's creditors are intertwined.

The insurance companies involved include Citigroup Inc.'s Travelers unit; Kemper Insurance Co.'s Lumbermens Mutual Casualty Co.; Allianz AG's Fireman's Fund Insurance Co.; Chubb Corp.'s Federal Insurance Co.; St. Paul Cos.'s Fire and Marine Insurance; CNA Surety Corp.'s Continental Casualty Co.; Safeco Corp.'s Safeco Insurance Co.; Hartford Financial Services Group Inc.; and Liberty Mutual Insurance Co. The insurers backed a total of \$2 billion in transactions. Early last month, they asked J.P. Morgan Chase for details of the contracts before they would pay off all of the surety bonds. All but one of the insurers, Travelers, subsequently asked a bankruptcy court judge in New York to void \$1.1 billion worth of the obligations. As a result, J.P. Morgan had to increase its estimated exposure in the collapse of Enron to \$2.6 billion-more than double what it previously acknowledged-with \$965 million of that amount tied to surety bond payments.

**Carleton, Norman**

**From:** Lori.Santamorena@bpd.treas.gov  
**Sent:** Thursday, December 27, 2001 8:13  
**To:** Norman.Carleton@do.treas.gov  
**Subject:** Re:

interesting, OPIC and Ex Im Bank at one time issued instruments that were TT&L eligible,

**Norman.Carleton@do.treas.gov**  
 12/20/01 05:35 PM  
 To: Jill.Colina@do.treas.gov, Anne.Salladin@do.treas.gov, Sheila.Bain@do.treas.gov, Steve.Berardi@do.treas.gov, Timothy.Bitsberger@do.treas.gov, Matthew.Eichner@do.treas.gov, Jose.Gabilondo@do.treas.gov, Jared.Gross@do.treas.gov, Viva.Hammer@do.treas.gov, lsantamorena@bpd.treas.gov, Peter.Nickoloff@do.treas.gov, Michael.Novey@do.treas.gov, Fred.Pietrangeli@do.treas.gov, Brian.Roseboro@do.treas.gov, Heidlynn.Schultheiss@do.treas.gov, Jean.Whaley@do.treas.gov, Mark.Wiedman@do.treas.gov  
 cc:  
 Subject:

December 20, 2001

Enron, GE, Bechtel Claim US Insurance On India Project

Dow Jones Newswires

WASHINGTON -- Enron Corp. (ENE), General Electric Co. (GE) and Bechtel Corp. (X.BTL) have filed a total of nearly \$200 million in insurance claims with the U.S. government for investment losses in India.

Since last week the three companies have individually filed applications with the Overseas Private Investment Corp. for "expropriation compensation" on their investments in Dabhol Power Co., OPIC spokesman Larry Spinelli said Thursday.

Dabhol Power is a \$2.9 billion power plant and liquefied natural gas, or LNG, import terminal near Bombay in western India. It's considered the largest foreign direct investment in India's history.

"We obviously regard this as a very serious development," Spinelli said of the insurance claims. "And we are looking to the Indian government for constructive involvement to settle these issues."

OPIC is a government agency that finances U.S. companies' overseas investments through insurance and loans. In addition to OPIC financing, the U.S. government is owed \$202.5 million for a loan the Export-Import Bank made to Dabhol Power.

Work on the 2,184-megawatt Dabhol power plant stopped this year after its sole customer, the Maharashtra State Electricity Board, declined to pay earlier-agreed power prices.

Faced with nonpayment, Enron said in August it would consider buyers for its controlling 65% interest in the project. Officials from the bankrupt Houston-based company met last week with Indian lenders and government officials to discuss ways of disposing of its stake.

GE and Bechtel each hold a 10% interest in the project. The Maharashtra State Electricity Board holds the remaining 15%.

Two Indian companies, Tata Power Co. (P.TPW) and BSES Ltd. (P.BSX), have shown interest in bidding for the Dabhol power plant. Royal Dutch/Shell (RD) and BG Group Plc (BRG) have shown interest in the Dabhol LNG import terminal.

-By Campion Walsh, Dow Jones Newswires; 202-862-9291;  
 1/15/02

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**02842**

1/15/02

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Corporates

Publication date: 30-Nov-2001  
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News

## Enron Exposure Evident in the Credit Derivative Market

Analyst: Nik Khakee, New York (1) 212-438-2473; Mary Ryan, New York (1) 212-438-2090

NEW YORK (Standard & Poor's) Nov. 30, 2001-- Standard & Poor's has reviewed a number of credit derivative transactions in which Enron appears and found exposure to the company in three different types of these transactions. Divided among these deals, direct Enron credit exposure potentially could total \$3.3 billion.

"Although much attention has been focused on Enron in relation to loan exposures, the energy sector, and the commodities markets, it is also a named source of credit risk in many credit derivatives transactions," said Nik Khakee, director of Standard & Poor's Structured Finance Derivatives group.

"In addition, Enron had an overall derivatives market strategy that included credit derivatives. Thus Enron is not only a source of credit risk in derivatives transactions, it is a source of risk to derivatives transactions as it could possibly cause termination events in swaps that Enron has contracted," Mr. Khakee continued.

On a global basis, Enron appears in 50 transactions as a reference entity or reference obligation in pooled credit derivative transactions, meaning that Enron is a credit exposure. Two counterparties transact a swap in which the default of Enron, as defined by specified credit event language defined in the swap documentation, would lead to potential loss to one counterparty, the floating-rate payer.

This loss is defined by a valuation process whereby a settlement value for the potential Enron exposure is determined. This value can often be the result of a bidding process in the market where dealers are solicited. This bidding process is commonly referred to as cash settlement. Alternatively, physical settlement may be selected as the settlement mechanism whereby an Enron fixed income instrument is exchanged for the notional value of the Enron exposure in the overall pool.

These transactions total \$79 billion in total notional amount. The potential Enron exposure in the deals in aggregate totals \$3.3 billion or 0.75% of total notional exposure. It is important to note that these transactions are primarily investment grade credit derivative collateralized debt obligations in which credit support to rated noteholders typically averages 2%-4%. Therefore, a default of Enron and low recovery on Enron post-default would significantly erode this credit support.

"Standard & Poor's is currently reviewing all transactions in which Enron is a named reference entity for possible rating actions," Mr. Khakee said.

Enron may also appear in this same type of credit derivative transaction but as part of a small pool, rather than a large pool of overall credit exposure. In this case, Enron may potentially be the single reference source of credit risk in a credit derivative transaction, irrespective of the credit risk posed by the actual counterparty risk in these transactions (which is not addressed in the estimated exposures identified above).

Enron appears as a reference credit in six transactions with potential total notional exposure to Enron of \$2.7 billion in these single-name risk or small

basket credit derivative transactions.

In addition, in December 2000, Enron began acting as the counterparty in swap transactions without also being the reference entity. As such, its counterparties are vulnerable to potential default by Enron as counterparty, even if it is not a reference source of credit exposure in a transaction.

In these transactions, any default by Enron as counterparty under the swap contract would initiate a process whereby termination of the swap contract is possible. The nondefaulting counterparty would have the option to replace Enron with a new counterparty in the swaps. This could be done on the whole swap notional amount of credit exposure or the portfolio could be carved up into pieces in order to distribute the risk across various counterparties.

Whether transferred to one counterparty or many, this process, called assignment, leads to a mark-to-market valuation. That mark is either in favor of Enron or the counterparty Enron faces. Thus, after an Enron default, the counterparty could be exposed to a liquidity risk because it would have to make a mark-to-market payment to Enron. Conversely, if Enron has to make a mark-to-market payment to the counterparty, the counterparty may not be receiving the payment, especially if insolvency proceedings commence.

Enron has secured ratings on three such credit derivative transactions in which a total notional amount of \$3 billion of credit derivative exposure was traded.

To give some perspective on this number, Mr. Khakee explained that Standard & Poor's credit derivatives analysts in New York who review pools of credit exposure have reviewed transactions with a total notional amount of \$23 billion in the year to date. "The notional amount of \$3 billion relative to Enron represents a larger percentage of overall rated credit derivative transactions than would be expected of an entity that is not a traditional broker-dealer, investment bank, or insurer," he said.

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**02850**

Corporates

Publication date: 06-Dec-2001  
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Commentary

## Enron Credit Exposures Widely Dispersed Through Global Financial System

Analyst: Tanya Azarchs, New York (1) 212-438-7365

Bank and Insurance Exposures

Derivatives Exposures

The bankruptcy of Enron Corp., the largest corporate bankruptcy ever, has left its detritus atomized throughout the global financial system. Credit exposure to Enron likely exceeds the \$33 billion on Enron Corp.'s balance sheet, but that exposure comes in many forms, not all of which are equally risky. In a testimony to the efficiency of the global financial system, that exposure is not concentrated in any one institution, country, or even industry. The good news is that while some of the exposures may be material, they do not appear, at least on the basis of initial reports, to be life threatening to any institution. It also means that, although Enron was the size of a midsize investment bank and played pivotal roles in certain financial markets, it does not appear to have the kind of systemic impact that would give it "too big to fail" status. Standard & Poor's has attempted to find all of the shards of exposure, but it has not been able to fully account for all of that exposure at this time. This suggests that more pockets of exposure, particularly derivatives exposure, are yet to be found.

Estimates of the market's exposure to Enron have varied widely. Standard & Poor's reading of Enron Corp.'s disclosed financials suggests that Enron and its consolidated entities had \$13 billion of on-balance-sheet debt, including about \$9 billion of bonds and \$4.5 billion of bank loans, both secured and unsecured. Securitization vehicles accounted for another \$3.9 billion of partly secured debt, largely in the form of Osprey and Marlin vehicles, as well as \$400 million of other structured financings. Other related entities might have additional debt as well. Equally large are Enron's liabilities on derivatives contracts—energy, power, and other commodities-related forwards, swaps, and options. At Sept. 30, 2001, these represented more than \$19 billion of exposure held by a wide variety of institutions, although the value of these contracts could have changed substantially since. In addition, Enron provided credit guarantees and credit default protection contracts of an undisclosed amount, which will be problematic if any of the names in those portfolios default. Other credit exposure might not have been originated by Enron, but instead is generated in the form of credit derivatives provided by others in Enron's name. Some of these contracts merely transfer Enron exposure to other counterparties if their purpose was truly to hedge credit risks; otherwise, they could increase the total amount of Enron exposure.

### Bank and Insurance Exposures

The exposure is not concentrated in the banking industry, as it might have been at one time. The bonds are held mostly by insurance companies, pension and mutual funds, and collateralized debt obligation (CDO) structures, which, in turn, may be held by insurance and banking organizations. Standard & Poor's estimates that about \$3 billion of the debt is held by structured vehicles, which could result in downgrades for some synthetic CDO transactions. Citigroup Inc. and J.P. Morgan Chase & Co. provided \$1 billion of bank debt secured by pipelines in the final weeks of Enron's travails. Unsecured bank debt amounts to \$3 billion, much of which is held by banks worldwide. Unrelated to Enron's own credit are exposures to the 50% owned Indian subsidiary Dabhol Power Co., which defaulted due to problems created by other shareholders, but which add to the woes at certain counterparties like the Australian banks and insurers, which have \$1 billion of Enron and Dabhol debt between them.

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1/15/02

Among banks, the highest exposures in dollar terms are to be found at Enron's lead banks, J.P. Morgan Chase and Citigroup; however, much of the exposure is secured. Some European banks also have sizable exposures (Abbey National PLC disclosed \$160 million, and ING GROEP N.V. disclosed \$195 million in unsecured loans and bonds), although much of it is secured by a variety of assets including expected revenues and receivables generated by projects financed. In Germany, Deutsche Bank AG and Commerzbank AG disclosed less than Eur100 million each. The Australian banks have \$350 million between them. Canadian bank exposures are manageable as well. Japanese bank exposures add to their woes but will not be a deciding factor. While losses on exposures could be material in some cases, as of this date, they do not appear by any means life threatening. Standard & Poor's estimates of losses would not represent a hit to equity and so would not in themselves represent a rating consideration. However, these exposures will be reviewed in the context of other looming problems in the industry, including earnings weakness and mounting credit problems.

Asset managers also have \$3.8 billion of Enron exposures in their funds, according to Capital Access International, the fixed-income market research company. Such exposures would present an issue in the Japanese money market funds that are in danger of "breaking the buck," although none of these were rated by Standard & Poor's.

As of this date, the estimated direct exposure of U.S. insurers' asset portfolios to securities issued by Enron and its affiliates is more than \$3.5 billion, which is not likely in itself to negatively affect the ratings of those insurers.

The exact total of insurers' asset exposure will take some time to resolve because many insurers liquidated some or all of their holdings in the weeks preceding Enron's bankruptcy filing on Dec. 2, 2001. However, Standard & Poor's estimates that at year-end 2000, most of this asset exposure, about \$2.6 billion, was with life insurance companies, primarily fixed-income investments.

Among the life insurers making early announcements of their exposure was John Hancock Life Insurance Co., which reported a net investment exposure of \$320 million, for which it would be taking a fourth-quarter charge of up to \$125 million. (See the Standard & Poor's commentary article "Enron Impact on U.S. Insurers' Asset Portfolios Not Likely to Affect Ratings" dated Dec. 5, 2001.)

The portfolio management discipline of domestic insurers in their asset management has become ever more sophisticated in recent years, and for the most part, a key tenet was the avoidance of excessive exposure to any one credit. This, combined with the maintenance of strong capital redundancies at most companies, has left most U.S. insurers with ample capital cushions to absorb any net losses likely to result.

However, whatever the effects of this particular credit event on insurance companies' asset portfolios, Standard & Poor's cautions that it occurs in an environment of generally deteriorating credit quality across numerous industries. The cumulative effects of that environment could eventually have adverse rating consequences for individual insurance companies with proportionately greater exposure to the most severely affected industries.

### **Derivatives Exposures**

The derivatives exposures present a more complicated and incomplete picture. As a triple-'B' category credit in a market that prefers very high credit, Enron frequently had to put up collateral to enter into trades with its counterparties, which were generally commercial and investment banks, utilities, and other power companies. In order to minimize cash needs, it often substituted surety bonds from insurance companies or LOCs or guarantees from commercial banks and others. This transferred the risk beyond the

02852

natural counterparties on derivative transactions, which are otherwise a relatively small group of companies. Those with Enron exposure often sought to protect themselves by obtaining credit protection on the Enron name in the form of credit default swaps, LOCs, or guarantees. Information on the amount of these contracts is hard to obtain, although the contracts were sometimes entered into by CDO structures. Also, about \$2.7 billion exists in the form of structures involving smaller baskets of corporate names as reference parties. (See the Standard & Poor's article on this subject, "Credit Derivative Exposure to Enron is \$6.3 Billion," dated Nov. 30, 2001.) Much of the derivatives exposure, however, may be on the part of the typical clients of Enron, the end users of energy. It is also possible that some additional exposure may come to light in the financial services industry.

The insurance industry provided at least some of the credit protection on these derivative transactions. As yet undetermined is the property-casualty insurance industry's exposure to Enron through issuance of performance bonds in connection with forward-purchase contracts sold by Enron and its affiliates. Although a few insurers—most notably Chubb Corp., with an announced exposure of \$220 million—have publicly stated their exposure to such liabilities, the large majority have yet to announce their exposure publicly. Standard & Poor's continues to research this matter to determine more definitive conclusions and is examining other potential insurance exposures.

Other energy companies also have exposure to Enron, much of it derivatives related. Standard & Poor's is still trying to assess the extent of such exposure.

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**02853**

**From:** Nickoloff, Peter  
**Sent:** Thursday, December 20, 2001 10:16 AM  
**To:** Carleton, Norman; Schulltheiss, Heidilynne  
**Subject:** Yesterday's Samuelson Op-Ed on Enron

## **Enron's Creative Obscurity**

By Robert J. Samuelson

Wednesday, December 19, 2001; Page A39

The collapse of the energy company Enron has inevitably become a metaphor for many of the sins of modern capitalism. It may be, but the story is more complicated than a simple tale of victims and villains. Capitalism derives its strength from the power of self-interest and the ingenuity of the human spirit. But its weaknesses also stem from human nature, which can convert the quest for riches into self-deception and dishonesty. The dangers mount in periods of economic and financial exhilaration when -- as we've just experienced -- the stock market seems the fastest path to instant wealth. People yearn for their pot of gold and, to get it, stretch rules and lapse into wishful thinking.

The cult of share prices seduced managerial elites, ordinary investors and workers alike, with often disastrous consequences. Among top corporate managers, it led to widespread embellishing and doctoring of financial reports. Accounting rules were twisted or evaded to enhance reported profits, because higher profits would (presumably) mean higher share prices. Creative obscurity became commonplace. The same spirit gripped many investors and workers. People suspended skepticism and counted their paper profits. The dot-com and telecom debacles are well-documented results. Now Enron joins the list.

To work well, capitalism needs accurate information. Even with ideal information, markets make mistakes. Miscalculation is inevitable, because risk implies failure as well as success. But false or misleading information compounds the dangers, and the booming stock market inspired a boom in misleading information. For example, there's EBITA -- earnings (profits) before interest, taxes and amortization (debt repayments). Companies emphasized earnings on this limited basis in their news releases and played down the more complete reports. The justification was that investors wanted to see a company's raw "operating profits" without the clutter of debts or taxes. The trouble, of course, is that companies have to pay debts and taxes.

The Securities and Exchange Commission and the Financial Accounting Standards Board, an accountants' self-policing organization, did little to check these abuses. By and large, people wanted to believe the best, and the temptation to present the glossiest face was Enron's undoing. At its peak, the company's stock traded at \$90 a share; now it's selling for about 50 cents. The simplest explanation for its bankruptcy is a loss of credibility in its financial statements. Fitch, the bond-rating agency, gives the following chronology. On Oct. 16, the company announced it would take a \$1 billion charge to reflect losses in "broadband" communication and water businesses, among others. It also announced another \$1.2 billion loss on a transaction outside its balance sheet. On Nov. 8, the company said its profits from 1997 to 2000 had been overstated by \$591 million.

Though large, these losses shouldn't have single-handedly devastated a company that had reported \$2.7 billion in profits between 1997 and 2000 and claimed year-end 2000 stockholders' equity of \$11.5 billion. But the revelations destroyed the faith of customers and creditors in Enron's numbers. Were other losses lurking? If you fear not being paid, you stop dealing with Enron or lending to it. Once that happened, the company collapsed. The skepticism was warranted. At the end of 2000, Enron reported debts of \$10.2 billion on its balance sheet. In its bankruptcy filing, it listed debts of almost \$40 billion, including \$22 billion on its balance sheet, nearly \$7 billion "off balance sheet" and almost \$11 billion for "project financings."

Among the collapse's biggest casualties are the workers who lost jobs (about 5,600 so far, including 1,100 in Europe) and had their retirement savings wiped out. Many were dangerously overinvested in the company's stock. About 58 percent of the assets of the company's 401(k) retirement plan were invested in Enron stock, reports a survey by DC Plan Investing, a newsletter. But Enron wasn't exceptional. The survey found that 95 percent of Procter & Gamble's plan was in company stock, 77 percent of General Electric's and 54 percent of

Dell Computer's. No matter how well-run the companies, these high dependencies are risky. "A lot of employees invest in the company stock if they like the company," says Louis Berney, the newsletter's editor. "It's a crime perpetrated by the employees against themselves."

Lawsuits may uncover wrongdoing, but outwardly, Enron's 401(k) program seems fairly typical, says Jack VanDerhei, a pension expert at Temple University. According to company spokesman Mark Palmer, Enron matched employee investments with a 50 percent stock contribution: If I invested \$5,000, Enron would put up \$2,500 in stock. The stock contributed by the company could not be sold until a worker reached 50; but there were 20 investment choices -- including buying Enron stock -- for personal contributions. True, there was a total trading ban from Oct. 29 through Nov. 12, because the plan's outside administrator was being changed. But, says Palmer, investors were informed of a ban in late September and early October. They could have sold then or anytime earlier. Enron's stock had dropped all year, from \$68.50 in February to \$49.10 in June to \$27.23 in September. Obviously, many didn't.

Enron's downfall stemmed mainly from its own mistakes. Whether some corporate officials crossed the line between creative obscurity and illegal concealment is an open question. But in a larger sense, the collapse reflected the financial fever of the past decade. The profit motive -- the promise of reward for risk and effort -- is a great incubator of invention and wealth. But those who glorify capitalism's triumphs often forget that it's also vulnerable to the frailties of human nature. There was a mass merchandising of dreams and delusions that was indiscriminate in its effects. Candor was corroded, judgment clouded. Pursuing self-enrichment, people often follow the path of least resistance. It sometimes leads to a cliff.

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Carleton, Norman

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**From:** Bitsberger, Timothy  
**Sent:** Tuesday, December 18, 2001 5:22 PM  
**To:** Carleton, Norman  
**Subject:** RE: DJ: Senators Aim To Prevent Future Enron-Type 401(k) Problems

this is exactly the background we will need!

-----Original Message-----

**From:** Carleton, Norman  
**Sent:** Tuesday, December 18, 2001 5:20 PM  
**To:** Cetina, Jill; Bair, Sheila; Berardi, Steve; Bitsberger, Timothy; Eichner, Matthew; Gabilondo, Jose; Gross, Jared; Hammer, Viva; Lori Sanatamarena (E-mail); Nickoloff, Peter; Novey, Michael; Pietrangeli, Fred; Roseboro, Brian; Schultheiss, Heidilynne; Whaley, Jean; Wiedman, Mark  
**Subject:** DJ: Senators Aim To Prevent Future Enron-Type 401(k) Problems

December 18, 2001

## Senators Aim To Prevent Future Enron-Type 401(k) Problems

*Dow Jones Newswires*

WASHINGTON -- Two Senate Democrats unveiled legislation Tuesday that would limit the amount of company stock employees can hold as part of their 401(k) retirement plans.

The legislation is a response to the financial collapse of **Enron Corp.** (ENE), whose employees lost millions because they had concentrated their 401(k) plan holdings in company stock.

The legislation was announced by senators Barbara Boxer of California and Jon Corzine of New Jersey.

Boxer described the legislation during a Senate Commerce Committee panel hearing Tuesday featuring testimony from a handful of **Enron** employees who lost hundreds of thousands of dollars because their 401(k) plans were primarily invested in **Enron** stock.

**Enron** entered into bankruptcy protection Dec. 2 after questionable accounting practices led to a historic crash in the company's equity value. Shares that sold a year ago for more than \$80 are today worth less than a dollar.

Enron's shares had slid to the \$20s in October, when the company's 401(k) plan administrator "locked down" the program, keeping employees from divesting their **Enron** holdings.

Witnesses at Tuesday's hearing described how the bulk of the remaining equity crash occurred during the monthlong lockdown, causing them to lose more money than they would have had their accounts been unfrozen and they'd been able to sell their holdings.

Sen. Ron Wyden, D-Ore., likened the events to the sinking of the Titanic. **Enron** "locked the workers in the boiler room" as the **Enron** ship sank, Wyden said.

Boxer said **Enron** may have violated a tax-law provision she authored in 1997 addressing diversification of 401(k) retirement funds.

The law prohibited companies from requiring employees to purchase company stock as part of

401(k) plan participation.

Boxer acknowledged that **Enron** workers willingly concentrated their investments in Enron's previously high-flying stock, but suggested that, through the plan lock-down, employees in effect were forced to buy the company's stock because they couldn't sell their holdings.

Boxer called for the Internal Revenue Service to redirect the tax breaks **Enron Corp. (ENE)** obtained for its contributions to employee retirement accounts to partially reimburse employees who lost their retirement savings through the company's 401(k) program.

The legislation Boxer sponsored with Corzine would limit employee 401(k) investments in company stock to 20%, and it would limit to 90 days the period of time an employer can require its workers to hold a matching stock contribution before divesting it.

Further, the bill would reduce to 50% the tax deduction an employer can take for its matching stock contributions. Cash contributions would retain the 100% tax break, Boxer said.

Also, the bill would lower to 35 year of age, with at least five years of company service, the trigger allowing employees to diversify their investments in employee stock ownership plans.

-By Bryan Lee, Dow Jones Newswires; 202-862-6647;  
Bryan.Lee@dowjones.com

## Carleton, Norman

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**From:** Wiedman, Mark  
**Sent:** Tuesday, December 18, 2001 12:55 PM  
**To:** Carleton, Norman  
**Subject:** RE: Bloomberg: Enron Enriched Wall Street Firms, Analysts Ignored Warnings (long story)

I am shocked to discover there is gambling going on here! (Or something to that effect.)

-----Original Message-----

**From:** Carleton, Norman  
**Sent:** Tuesday, December 18, 2001 12:12 PM  
**To:** Bair, Sheila; Berardi, Steve; Bitsberger, Timothy; Eichner, Matthew; Gabilondo, Jose; Gross, Jared; Hammer, Viva; Lori Sanatamarena (E-mail); Nickoloff, Peter; Novey, Michael; Pietrangeli, Fred; Roseboro, Brian; Schultheiss, Heidi; Whaley, Jean; Wiedman, Mark  
**Subject:** Bloomberg: Enron Enriched Wall Street Firms, Analysts Ignored Warnings (long story)

12/18 02:43

### Enron Enriched Wall Street Firms, Analysts Ignored Warnings

By Adam Levy

Houston, Dec. 18 (Bloomberg) -- On Tuesday, Oct. 16, Enron Corp. Chief Executive Kenneth Lay delivered a shocker. Late in a conference call that followed the release of the company's third-quarter results, Lay said Enron would terminate one of its several limited partnerships -- and thereby wipe out \$1.2 billion of shareholder equity.

"I shuddered when I heard that," says Gregory Phelps, who invests \$1.1 billion in energy and utility stocks at John Hancock Advisers Inc. and has long avoided Enron. "But it didn't seem to make much of an impression on part of the investment community."

Over the next few days, reports began piling up on Phelps's desk from the Wall Street analysts who track Enron. Merrill Lynch & Co., UBS Warburg LLC, Credit Suisse First Boston and Goldman Sachs Group Inc. still rated Enron a "buy."

Prudential Securities Inc. analyst Carol Coale wrote that she was "dismayed" by management's "disguise" of the \$1.2 billion equity reduction, yet she kept intact her "buy" rating and \$55 price target on Enron stock, which was then trading at \$33.17.

#### 'Strong Buy'

Richard Gross of Lehman Brothers Holdings Inc. maintained his "strong buy" rating. "The end of the world is not at hand," Gross said. "We think investors should rustle up a little courage and aggressively buy the stock."

Phelps and other investors say the analysts' reactions were just another sign of Wall Street's gullibility about Enron.

For more than a year, they say, analysts had ignored red flags ranging from inflated business valuations to large insider stock sales, to the abrupt resignation of Jeffrey Skilling in August 2001 -- just six months into his tenure as CEO.

As recently as September, Enron was the second most highly rated stock in the Standard & Poor's 500 Index, behind Tyco International Ltd., according to Thomson Financial/First Call.

"Enron is uniquely positioned to be the GE of the new economy," Donato Eassey, Merrill Lynch's energy stock analyst, told Bloomberg News in February 2001. "This isn't a management team to bet against." Eassey resigned from Merrill in December.

#### Support is Obvious

One of the main reasons for all of the support is obvious, say investors: Until the week before its third-quarter earnings report in October, Enron was a deal machine that enriched dozens of Wall Street firms through lucrative underwriting contracts, mergers and acquisitions assignments and derivatives trades.

"You'd be hard-pressed to find a house on the Street that didn't do business with Enron," says Don Cox, chairman and chief executive of Harris Investment Management Inc., which in early December held 78,000 Enron shares in the Harris Insight Equity Fund. "They spread a ton of business around the Street, so it's no wonder these analysts were behind the stock."

Enron says it didn't have a quid pro quo relationship with anyone. "At no time has Enron ever required any financial firm to endorse our stock as a prerequisite for doing business with the firm," says spokesman Vance Meyer.

#### 'Taps on Shoulders'

Some Wall Street veterans say they don't find that denial persuasive. "Even if there were no spoken agreements, you can bet analysts often got taps on the shoulders from the investment bankers making sure that they were reminded to keep 'buy' ratings intact," says Phelps. "That's just the way Wall Street works."

Enron spread the wealth across many Wall Street firms. In May 2001, Enron used six banks -- A. G. Edwards & Sons Inc., Banc of America Securities, Dain Rauscher Wessels, First Union Securities Inc., Salomon Smith Barney Inc. and UBS Warburg -- to manage a \$151 million unit offering for Northern Border Partners LP, one of scores of Enron-controlled partnerships.

Usually, no more than four underwriters are involved in deals that small, investment bankers say.

CSFB advised Enron on a pending \$2.9 billion sale of Portland General Electric Co. in October -- one of 41 separate mergers and acquisitions transactions Enron initiated since January 1999, according to Bloomberg data.

#### Enron Activity Dwarfs Rivals

That dwarfs the number of deals over that span announced by rivals Dynegy Inc., which struck 15 corporate combinations, and Kinder Morgan Inc., which did a dozen deals.

Enron further cemented its relationship with Wall Street by borrowing from banks, obtaining letters of credit and trading in derivatives -- financial instruments such as futures and options whose value is based on other assets.

When Enron filed for bankruptcy in December, its list of creditors was 54 pages long and included Citigroup Inc., CSFB's London branch, J. P. Morgan Chase & Co. and UBS.

Goldman Sachs is a dealer for Enron's \$4 billion commercial paper program and has arranged six of the company's 15 preferred share sales.

In June 1999, Merrill Lynch managed the \$695 million initial public offering of Azurix Corp., Enron's water business. Run by Enron's former Vice Chairman Rebecca Mark, who resigned in August 2000, Azurix failed in its strategy to buy water companies and win large projects. It lost a bid to acquire a 49 percent stake in Berlin's water utility, for example.

#### Enron Buys Back Stock

Enron bought back the stock in 2001, after it had fallen more than 55 percent during the company's 18 months as a public entity.

In October, J. P. Morgan and Citigroup's Citibank unit provided Enron with \$1 billion in credit lines to help it pay down debt and meet day-to-day costs. Those loans came just in time for the two firms to win the business of advising Enron on its planned acquisition by Dynegy.

J. P. Morgan and Citigroup's Salomon were set to charge \$90 million -- \$45 million each -- for that advice, according to people familiar with the arrangement.

Dynegy was set to pay \$15 million in advisory fees to Lehman Brothers. That would have been Lehman's biggest such transaction in 2001.

#### Dynegy Deal Falls Through

In December, after the Dynegy deal fell through, Enron obtained as much as \$1.5 billion in new financing from J. P. Morgan and Citigroup. On December 11, J. P. Morgan filed a lawsuit in Enron's bankruptcy case, seeking \$2.1 billion -- funds the bank said aren't part of the energy trader's assets shielded from creditors by the Chapter 11 filing.

Enron traded derivatives in energy, broadband and weather with a host of investment firms, and at the time it filed for bankruptcy, it owed some of them hundreds of millions of dollars.

According to its bankruptcy filing, Enron owed \$185 million to two offices of Chase Manhattan Bank, a subsidiary of J. P. Morgan Chase; \$74 million to UBS; and \$71 million to CSFB. Bear Stearns Cos. said it stood to lose \$69 million from the collapse of the energy trader, Commerzbank AG said it would lose slightly less than \$45 million.

### Schmoozing Wall Street

Enron's multiple business dealings with Wall Street caused firms to look favorably on the company's new ventures, say investors.

In late January 2001, for example, Enron's senior management hosted a meeting for 170 analysts and investors. Skilling told the crowd that Enron's biggest immediate opportunity was its plan to trade broadband capacity: space on the fiber-optic networks that zip voices, data and images around the planet.

Skilling said that based on his analysis, Enron's broadband business was worth \$36 billion, or \$40 a share. Enron stock was then trading at \$82. The business had lost \$60 million on \$408 million in revenue in 2000.

"The numbers never added up, but Wall Street didn't challenge them," says Harris Investment's Coxe.

Ronald Barone, an analyst at UBS Warburg, wrote after the January meeting that he was "brain drained, having digested scores of detailed presentations." He also wrote that he was "enamored" with Enron's broadband business, even though it wouldn't generate earnings for at least a year because it would take that long to generate enough trades.

### \$25 a Share

He estimated the business was worth \$25 a share, or \$22.5 billion. He kept his "strong buy" rating on the stock and, in a January 25 report, raised his 12-month target on Enron stock to \$102 from \$100. The stock was trading at \$82 at the time. Barone declines to comment on his recommendations.

Lehman's Gross raised his 12-month target price on Enron to \$100 from \$90 after the company's analysts' conference. He said he viewed Enron's foray into broadband as no different from any of its other endeavors.

"Given the track record that has been displayed over the past 36 months, we have no reason to doubt the success of their efforts," Gross wrote a week after the conference in a report dated Feb. 1. Enron stock was then trading at \$78. "We continue to recommend Enron as a core holding," he wrote. Gross declines to comment.

### \$180 Million Charge

Enron's fiber-optic business collapsed this past summer. In its third-quarter earnings release, Enron said it had taken a \$180 million charge to restructure the business, including severance payments to 500 fired workers and a reduction in the value of its operations.

As Enron's stock was rising on Wall Street, analysts often said they were in the dark about the company: how it made money and booked sales and what was behind dozens of off-balance-sheet partnerships.

Their lack of knowledge didn't stop them from promoting Enron stock. Goldman Sachs analyst David Fleischer said in March that Enron's "lack of disclosure and transparency is a long-standing hallmark."

Enron had been a fixture on Goldman's "recommended list" of a couple hundred favored stocks since 1993, when analyst Fleischer joined the firm.

### 'Extraordinary Franchises'

"Enron has built unique and, in our view, extraordinary franchises in several business units," Fleischer said in March.

On March 14, Commerzbank Capital Markets analyst Andre Meade raised his long-standing rating on Enron to "accumulate" from "hold" because the stock had dropped 30 percent in the previous three months -- even though, he said, he couldn't construct accurate earnings models. "Enron keeps a lot of facts close to the vest," he said.

"Saying they don't understand it but still recommend it is a slap in the face to remind us how useless analysts are," says Robert Olstein, a 35-year Wall Street veteran who runs the \$890 million Olstein Financial Alert Fund.

After the market closed for trading on Aug. 14, Skilling, 48, abruptly resigned, citing personal reasons and raising concerns among investors that dire financial news might be forthcoming.

#### Falling Stock

Enron stock dropped as much as \$6, or 13 percent, the following day, ending the week at \$36.67.

Analysts insisted nothing was awry. "There is nothing wrong with the company," UBS's Barone said after meeting with Lay, who had once again become Enron's CEO. "There is no other shoe to fall -- and no charges to be taken." He kept his "buy" rating on the stock.

Lehman's Gross also met with Lay and other senior managers on the night of Aug. 16. "The Enron machine is in top shape and continues to roll along," Gross wrote to investors the next day.

He didn't see a short-term catalyst to boost the stock -- then trading at \$36.85 a share -- yet he urged investors to get more shares, maintaining his "strong buy" recommendation and a 12-month price target of \$72.

CSFB analyst Curt Launer wrote a brief note to clients after what he described as "intensive meetings" with management. He said there was "no truth to any of the speculations" and kept his 12-month target of \$84 and his "buy" recommendation.

#### Enron a 'Buy'

Of the 22 analysts who covered Enron, 19 rated the stock a "buy" as of mid-October 2001. That's when, one after another, disclosures spilled out of the Houston-based company: Enron's partnerships had hidden billions of dollars in debt; years of profits had been exaggerated; and the U.S. Securities and Exchange Commission was investigating Enron's partnerships with affiliates.

The disclosures dashed Enron's credibility with lenders and drove it to bankruptcy.

On Nov. 21, with Enron stock at less than \$7 -- down more than 90 percent from its high in August 2000 -- Goldman's Fleischer downgraded Enron to "market perform," Wall Street parlance for "hold." He didn't respond to several phone calls.

#### Easier Decision

Investors say Fleischer's decision to downgrade the stock was made easier by his firm's failure to win a role advising Enron on its planned sale to Dynegy. "I wouldn't doubt at all that being dropped from the 'recommended list' had something to do with not winning the advisory business," says Phelps.

Fleischer and Goldman spokespeople didn't return phone calls.

To many investors, there were signals that should have tipped off analysts that something was amiss. In December 2000 and January 2001, 10 top Enron executives sold more than \$73 million in stock. Lay and Skilling together sold stock valued at more than \$17.6 million, according to the Washington Service, which tracks insider stock sales and purchases.

Insider sales are often a strong sign to investors that something's wrong. Timothy Ghriskey, who at the time was a fund manager at Dreyfus Corp., sold about 1.55 million Enron shares in late 2000. "It wasn't much of an endorsement that they were bailing out too," he says. "I didn't see much upside in the stock and figured that with the valuation so high, there was a lot of downside if they failed to deliver."

#### Wake-Up Call for Analysts

Coxe and other investors say Enron's failure should provide a wake-up call for analysts, who pay too little attention to company balance sheets. "I pay the Street lots of commission dollars and expect that analysts are reading the footnotes and kicking tires," Coxe says.

Several Wall Street firms took steps last year to defuse criticism that conflicts of interest taint analysts' research. In July, Merrill Lynch announced that its analysts could no longer own shares in the companies they cover. CSFB soon followed with similar announcements.

As of Dec. 17, with Enron a penny stock, fetching 57 cents a share, 7 of 17 Wall Street analysts rated the stock a "hold" and 5 offered a "sell" recommendation.

Five other analysts advised their clients that the company at the center of the biggest bankruptcy filing in U.S. history was still a "buy."

## Carleton, Norman

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**From:** Nickoloff, Peter  
**Sent:** Monday, December 17, 2001 9:48 AM  
**To:** Carleton, Norman; Schultheiss, HeidiLynne  
**Subject:** Enron and Netting

From ERisk...

### Unwinding Enron's Tangled Web

*Duncan Wood, ERisk <<mailto:dwood@erisk.com>>*

December 12, 2001 Enron's lenders, counterparties and investors have been quick to estimate their exposure to America's biggest corporate bankruptcy, but replacing those estimates with actual losses will take rather longer - and observers suggest two main sources of uncertainty.

First, the sheer scale of Enron's involvement in the derivatives market promises to be the first real test of the industry's preferred method for closing out transactions when one counterparty goes bankrupt - and there's no certainty that the industry will find an ally in the US bankruptcy code.

Despite the best efforts of the International Swaps and Derivatives Association ([Isda <http://www.isda.org/index.html>](http://www.isda.org/index.html)) to promote legislation that would give industry practice legal certainty, lawyers are advising concerned counterparties that their ability to terminate transactions by calculating a net gain or loss is not guaranteed.

Second, the widespread use of Enron's debt as collateral in structured credit  [<http://www.erisk.com/news/analysis/news\\_analysis2001-08-16\\_01.asp>](http://www.erisk.com/news/analysis/news_analysis2001-08-16_01.asp) transactions means a long wait for holders of that paper, as Enron's trustees value the company's assets and determine the level of recoveries.

It doesn't end there. The two issues overlap to a considerable extent. Synthetic collateralised debt obligations (CDOs) - the structured credit instruments most badly affected by Enron's bankruptcy - rely on credit default swaps to pass on exposure to investors, and credit derivatives documentation is arguably the most legally unproven of all derivative products.

The most recent commentary  [<http://www.standardandpoors.com/Forum/MarketAnalysis/Enron/Articles/120601\\_dispersed2.html>](http://www.standardandpoors.com/Forum/MarketAnalysis/Enron/Articles/120601_dispersed2.html) issued by rating agency Standard & Poor's (S&P  [<http://www.standardandpoors.com/>](http://www.standardandpoors.com/)) on the Enron collapse reflects the difficulty in divining the extent of the exposure faced by the energy firm's lenders, counterparties and investors: "Credit exposure to Enron likely exceeds the \$33 billion on Enron Corp's balance sheet." A more precise estimate is not offered.

For investors that have exposure to Enron through structured credit, the picture is perhaps the clearest - all of the rating agencies moved quickly to assess the impact of Enron's demise on the notes they cover. "We currently expect 20 cents on the dollar to be recovered," says Mitchell Lench, manager of Fitch's  [<http://www.fitchratings.com/>](http://www.fitchratings.com/) European CDO team in London, who confirms that synthetic CDOs have been hit hardest simply because they tended to incorporate exposure to Enron on a routine basis.

Synthetic CDOs are issued most often by European banks, keen to shift some credit risk to what is usually a small, sophisticated pool of investors, he explains - and in that context, Enron was a favourite name because the banks were expected to build the pool of debt by including representatives from a diverse range of industry sectors, and Enron continued to be seen as one of the strongest energy companies until very recently.

Although synthetic deals are generally composed of up to a hundred names, all of whom will generally be investment-grade, Lench says that Enron's bankruptcy could be enough to prompt a downgrade of the deal. "If Enron is 1 per cent of the deal, and you're losing 80 cents on the dollar, that's 80 basis points of credit enhancement you no longer have."

S&P has been reviewing  [<http://www.standardandpoors.com/Forum/RatingsCommentaries/CorporateFinance/Articles/113001\\_enron.html>](http://www.standardandpoors.com/Forum/RatingsCommentaries/CorporateFinance/Articles/113001_enron.html) the status of 44 CDO transactions it has rated, all containing some exposure to Enron and several have since been downgraded  [<http://www.standardandpoors.com/Forum/MarketAnalysis/Enron/Articles/120601\\_synthetic.html>](http://www.standardandpoors.com/Forum/MarketAnalysis/Enron/Articles/120601_synthetic.html), all of them synthetics. Nik Khakee, a director in S&P's structured finance group in New York, says that the total notional value of the 44 deals exposed to Enron is \$79 billion - but the total amount of Enron's exposure included in those deals adds up to a relatively small \$600 million. Despite Enron's popularity as a component of CDOs, and despite the downgrades suffered as a result, it is clear that investors in synthetic CDOs generally won't be too worried.

However, S&P also rated six transactions called credit-linked notes (CLNs) says Khakee, and the loss potential here is far greater - they represent \$2.7 billion in direct exposure to Enron. CLNs use a similar structure to synthetic CDOs: a special-

purpose vehicle (SPV) issues notes to investors, accepting their funds in return, and then transacts a credit default swap with the firm that is holding the debt. The big difference is that a single name backs the CLN, rather than a pool of different names. "With these CLNs, the investor is buying exposure to a pool of one," says Khakee.

Enron also transacted three structured credit deals of its own that were rated by S&P, issuing a total of \$3 billion in notional value, says Khakee. "In these deals, Enron is the counterparty - they were one counterparty in a credit default swap and the counterparties on the other side of the deal are facing risk from Enron not because the company is part of their portfolio, but because the deal will have to be terminated."

For investors in Enron's own structured credit, it is unclear what happens next. Khakee suggests that the counterparty will need to seek a replacement value for the terminated default swap, and will potentially have a claim against Enron equal to the net difference between the value of the swap when first transacted and the current market value of a replacement - they will mark the deal to market, and accept either a net gain or loss.

Fitch's Lench, however, says that's not necessarily the case. "It depends on the structure," he says. "My understanding is that, on day one of the transaction, in order to de-link the rating of the notes from Enron, investors' funds would be used to buy sovereign debt. In the event of Enron's bankruptcy, those bonds would be liquidated to repay the investors."

The uncertainty about close-out procedures for Enron's structured credit deals redoubles when attention switches to the company's derivatives activities, which covered the whole gamut of assets from commodities and currencies to interest rates, credit and equity. One area that could have been stickiest was Enron's role as a credit derivative dealer - traders admit that the energy company was a major player in the market, standing alongside some banks in terms of the volume of its deals and appetite for credit risk. Add to that the number of transactions in which other counterparties were buying or selling their own exposure to Enron - contracts now triggered by Enron's default - and you have the biggest event ever to hit the credit derivatives market.

"It's by far the largest default of any US corporate and it's been the largest trigger since Consec triggered," says Greg Rosen, director and default swap trader with CSFB in New York. "Enron was also a very large seller of protection - definitely a net seller - and we estimate that between \$3 and \$4 billion was sold to the market."

Firms that have been trading Enron credit risk via the default swap market have been going back through their documentation to check the terms of their transactions and settle the deals - CSFB included. "It's certainly been time-consuming," says Rosen, noting that there could be anywhere up to \$8 billion in swaps with Enron as the underlying credit. Nevertheless, he says: "It's been very positive in terms of reassuring people that the products work as advertised. We expect the trades to settle in a timely and orderly manner."

Those firms that had Enron as a counterparty, meanwhile, have had to find new protection - which Rosen expects to result in a large liability for Enron. "Everyone's lost the protection they thought they had, and gone out to find new protection. Spreads are likely to have widened since their original transaction, so they'll have a claim against Enron based on the difference between the original and the replacement," he says.

But what about firms that have a multitude of different derivatives transactions with Enron? The energy giant's presence in a range of derivative markets, and its well-documented appetite for risk means that many counterparties will need to replace not just a default swap, but a whole basket of different transactions, from electricity swaps to forwards to interest-rate swaps and default swaps.

Ideally, counterparties should be able to terminate all of their transactions with Enron, and work out a net sum, to be paid from one party to the other, representing a gain or loss across all of the defaulted deals. At least, that's how the industry would like it to work.

Kimberley Summe, general counsel with Isda in New York, says that industry documentation makes specific provision for cross-product netting, pointing out that all varieties of derivative are recognised and provided for under industry-standard documentation known as the master agreement. But getting the bankruptcy courts to keep up with changes in the derivatives industry hasn't been a simple matter, and some lawyers have been warning their clients for years that cross-product netting may not be enforceable, no matter how much the industry wants it to be.

One lawyer - who asked not to be named because she didn't want to "be seen giving ammunition to the bankruptcy court" - says there's no guarantee that bankruptcy lawyers in the Enron case will recognise the arguments of the derivatives industry.

"The US bankruptcy code imposes restrictions on all of the things that are essential to the derivatives market - like demanding payment, collateral and netting - but over the years provisions have been added for different derivatives instruments. People have been trading for the last 10 years on the assumption that those provisions will work. Everyone expects them to, but it hasn't been tested," she says.

Bankruptcy law is careful about the allowances made for preferential treatment - the general idea being, says the lawyer, that the goal is to preserve the value of the bankrupt company, and then to divide its assets among creditors. Derivatives market practice, including netting, could place some creditors ahead of others in the queue. The industry has argued that this is essential for the safe functioning of the financial system, and US lawmakers have tended to agree - but the latest legislation that would enshrine the rights of derivatives market participants to net across a range of products has not been passed in its entirety. As things stand, there's a danger that Enron's trustees will see attempts to net across derivative

products as a dilution of Enron's value, argues the lawyer.

Most significantly, there's no definite provision for credit default swaps under the existing legislation. "Are they swaps at all?" she asks. "If not, they don't fit into any protected category. People could be sitting there with a useless default swap from Enron - at the same time, they could have other obligations which they have to pay in."

Isda isn't keen on the suggestion that cross-product netting might not work. "The master agreement is intended to cover all types of contracts," says Summe. "Counterparties should be able to net across product types." She concedes that Isda has been trying hard to get netting legislation passed "because we need an update of the definitions," but notes that although Isda produces the industry's legal documents, it does not offer legal opinions. Anyone wanting to know whether cross-product netting will work "would get a better idea from a law firm".

**Carleton, Norman**

**From:** Lori.Santamorenabpd@treas.gov  
**Sent:** Monday, December 10, 2001 2:47 PM  
**To:** norman.carleton@do.treas.gov; peter.nickoloff@do.treas.gov  
**Subject:** 1BN ) Enron Records at SEC Sought by House Energy and

----- Forwarded by Lori Santamorenabpd on 12/10/01 02:45 PM -----

"PUBLIC DEBT, US DEPT OF TREASURY" <GSR@bloomberg.net>

12/10/01 02:34 PM

To: LSANTAMORENA@BPD.TREAS.GOV

cc:

Subject: 1BN ) Enron Records at SEC Sought by House Energy and Comme

Enron Records at SEC Sought by House Energy and Commerce Panel  
 2001-12-10 13:15 (New York)

Enron Records at SEC Sought by House Energy and Commerce Panel

Washington, Dec. 10 (Bloomberg) -- The U.S. House Energy and Commerce Committee asked the Securities and Exchange Commission to produce by next Monday all reviews and reports it has done on Enron Corp. since 1997.

Committee Chairman Representative Billy Tauzin and James Greenwood, chairman of the panel's oversight and investigations subcommittee, made the request in a Dec. 7 letter to SEC Chairman Harvey Pitt released by Tauzin's office today.

"The apparent collapse of the company has resulted in the loss of substantially all of the equity value in Enron, and the loss by many participants of sizeable portions of their retirement savings," said Tauzin of Louisiana and Greenwood of Pennsylvania, both Republicans. "It also highlighted the lack of transparency in Enron's derivative positions in the energy market."

Tauzin and Greenwood requested SEC reviews of all Enron quarterly and annual filings with the agency beginning January 1997 up to the date the SEC launched its own formal probe into Enron. Tauzin and Greenwood also want all proposed adjustments to Enron filings submitted to the SEC by Enron auditors.

--Vicky Stamas in Washington (202) 624-1958, or  
 vstamas@bloomberg.net /ba

Story illustration: To compare Enron's stock performance with market indexes, type {ENE US <Equity> COMP <GO>}.

Company news:  
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## Carleton, Norman

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**From:** Gabilondo, Jose  
**Sent:** Wednesday, December 05, 2001 5:47 PM  
**To:** Carleton, Norman  
**Subject:** Enron Corp. Stock Chart

Norman:

This should work. I dragged this icon on to my shortcut screen, so that I just need to hit without separately accessing the Internet. Also, below is the agenda for the repo conference. Let me know if you're interested in any topic in particular that I should focus on.

José



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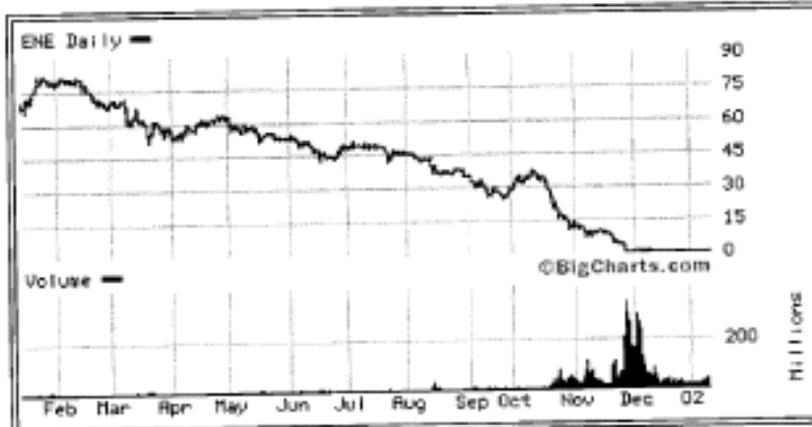
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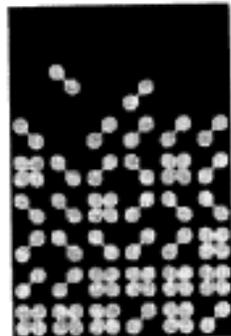
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Schedule  
of Events

**Pre-Conference Workshop**

Conference  
Videotapes

**December 5, 2001**  
**The Association Conference Center, New York, NY**

Regional  
Events

**1:00 - 5:30 p.m.**  
**Overview of Standard Funding Documentation**

Sponsorship  
Opportunities

This pre-conference workshop is intended to provide funding market professionals with a straightforward and substantive review of the most significant aspects of the Master Repurchase Agreement, the Master Securities Loan Agreement, the Global Master Repurchase Agreement and the Cross-Product Master Agreement. In addition to discussing significant aspects of these agreements, panelists will also update workshop participants on the impact of the most recent revisions of certain of the standard agreements. The workshop, consisting of four one-hour sessions, will also allow for extensive interaction with experienced professionals in the repo and securities lending markets.

Past  
Events

**Master Repurchase Agreement**

**1:00 - 2:00 p.m.**  
**Carolyn Monroe-Koatz**, Vice President, Assistant General Counsel, J.P. Morgan Chase & Co.

**Master Securities Loan Agreement**

**2:10 - 3:10 p.m.**  
**Steven Kessler**, Vice President, Associate Counsel, Goldman, Sachs & Co.

**Global Master Repurchase Agreement**

**3:20 - 4:20 p.m.**  
**Habib Motani**, Partner, Clifford Chance Rogers & Wells

**Netting Documentation**

**4:30 - 5:30 p.m.**  
**Scott Kimmel**, Vice President, Lehman Brothers Inc.

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### Confirmed Exhibitors

Dealogic  
Decision Software  
Garban

ICI/ADP  
Quant Trading Inc.

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### Program

**02895**

	<b>Breakfast</b>
8:00 - 8:30 a.m	
	<b>Featured Speaker</b>
8:30 - 9:00 a.m	
	<b>Dino Kos</b> Executive Vice President Federal Reserve Bank of New York
Welcome	<b>Joseph Blauvelt</b> , Managing Director, J.P. Morgan Chase & Co.
	<b>Head of Funding Desk Roundtable</b>
9:00 - 10:15 a.m.	The far-reaching impact of September 11 affected the financial markets, and in particular created special challenges for the funding desks of financial institution global heads of funding desks from major institutions will address the impact of September 11 on the funding markets. In addition to discussing how the funding markets dealt with such challenges, panelists will also discuss what lessons were learned. In addition, the panelists will reflect upon any potential longer-term effects the funding markets may experience.
Moderator	<b>Paul Saltzman</b> Executive Vice President General Counsel, The Bond Market Association
Panelists	<b>Joseph Blauvelt</b> Managing Director J.P. Morgan Chase & Co. <b>John Kruger</b> Director Salomon Smith Barney <b>Paul Scheufele</b> Managing Director Credit Suisse First Boston <b>Gerald Tamburro</b> Managing Director UBS Warburg
	<b>Break</b>
10:15-10:30 a.m.	
	<b>Legal &amp; Regulatory Update</b>
10:30-11:30 a.m.	A thorough review of the latest legal and regulatory developments in the funding markets. Subjects to be addressed include (i) changes in banking regulation, including a review of the proposed Basel Accord (ii) emergency regulatory responses to the events of September 11, (iii) changes to the Investment Company Act, (iv) bank reform, and (v) pending regulatory reform.
Moderator	<b>Ranada Ferguson</b> Managing Director Bear, Stearns & Co. Inc.
Panelists	<b>Sibyl Peyer</b> Vice President Assistant General Counsel Goldman, Sachs & Co. <b>Robert Cook</b> Partner Cleary, Gottlieb, Steen & Hamilton

02896

1/15/02

**Kim Olson**

Assistant Vice President  
Federal Reserve Bank of New York

**CONCURRENT SESSIONS: Global Funding Markets**

11:30-12:30  
p.m.

Two break-out panels will address funding market issues in Europe and Asia, respectively.

**Current Issues in European Funding Markets**

This panel of repo market experts, active in the European funding markets, will discuss major developments affecting continental Europe and United Kingdom. The key matters that will be addressed include: (i) the new Basel Capital Accord implications for the European repo markets; (ii) the on-going integration process of European clearing and security settlement systems; (iii) the possible impact of proposals to change the European regulatory environment for Alternatives Trading Systems (ATS); (iv) the proposed European Directive on Financial Collateral Arrangements; and (v) the possible consequences of the application of the proposed Investment Services Directive (ISD) on the European fixed income markets.

**Asian Funding Matters**

Funding markets in Asia continue to play a significant role in the global financial markets. This panel of repo and securities lending professionals active in the Asian funding markets will provide a review of the most significant aspects of these markets, and also provide an update on latest developments.

Panelists **Tom Brady**  
Managing Director  
Merrill Lynch, Inc.  
**Mark Steffensen**  
Vice President  
Counsel  
Morgan Stanley &  
Co.

**Lunch**

12:30-1:45 p.m.

Introduction

**Micah Green**  
President

The Bond Market Association

Speaker

**The Honorable William S. Cohen**  
Former Secretary of Defense and U.S. Senator

**Collateral Management Issues in the Funding Markets**

1:45 - 3:00 p.m.

The tragic events of September 11 have further highlighted the need for effective management of collateral to ensure liquidity during times of market stress. This panel will focus on what collateral management issues the events of September 11 raise as well as provide an update on the latest developments in collateral management. Subjects to be discussed include: (i) regulatory issues with regards to effective collateral management in times of market stress, (ii) changes to the Federal Reserve Payment Systems Risk Policy, (iii) the expansion of GSCC's GCF product (and

obstacles to its growth), (iv) the effect of the dwindling supply of Treasury debt SOMA portfolio and margining efforts, (v) Repo Tracking/Ginnie Mae Conversion and (vi) Continuous Linked Settlement (CLS).

Moderator	<b>Omer Oztan</b> The Bond Market Association
Panelists	<b>Kevin Caffrey</b> Principal Morgan Stanley & Co. <b>Jeff Ingber</b> Managing Director General Counsel Government Securities Clearing Corporation <b>Brian Reilly</b> Managing Director BNP Paribas
3:00-3:15 p.m.	<b>Break</b>
3:15-5:00 p.m.	<b>Ask the Trader!</b>  This game show-style panel promises to be an entertaining and highly substantive examination of market practices in the repo and securities lending markets. Experienced front-office funding professionals will be the contestants, answering questions a repo and securities lending trader commonly must answer in order to complete a transaction. The professionals will also call upon legal, tax and accounting professionals active in the funding markets to help them answer these questions. Contestants will also participate in a "bonus round", consisting of questions from audience!
Host	<b>Larry Brandman</b> Vice President Goldman, Sachs & Co.
Contestants	<b>Jeff Kidwell</b> Principal Morgan Stanley & Co. <b>Others to be Announced</b>
Lifelines	<b>Patricia Brigantic</b> Director and Counsel Salomon Smith Barney/Citigroup <b>James Johnson</b> Partner Deloitte & Touche, LLP <b>Lucy Farr</b> Associate Davis, Polk & Wardwell
5:00 p.m.	<b>Cocktails</b>

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### Registration Information

#### Registration Fees:

# 02898

Member: \$895 (additional registrants from the same firm are \$695 each)  
 Non-member: \$1,095 (additional registrants from the same firm are \$895 each)  
 Pre-Conference Workshop: \$195

**Refund Policy:** The Association will issue refunds, each subject to a \$75 service charge, on cancellations received **in writing** on or before Friday, November 30, 2001. No refunds will be issued on cancellations after this date. Substitutes are welcome at any time.

**Hotel Reservations:** For your convenience, a limited number of guest rooms have been reserved at the Roosevelt Hotel, 45 East 45th Street, New York City. For hotel reservations, please call the Roosevelt Hotel at 888.833.3969. Be certain to mention you are attending The Bond Market Association's conference.

For further information, please call Mary Garcia at (212) 440-9429.

### Registration Form

- Member (first registrant): **\$895**  
 Additional registrants from same firm: **\$695**
- Nonmember (first registrant): **\$1,095**  
 Additional registrants from same firm: **\$895**  
 Regulators and Non-profit Associations: **\$395**
- Pre-Conference Workshop: **\$195**

### Individual Registration:

Your Name

Name for Badge

Title

Company

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City  State  Zip

Phone  Fax

**02899**

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**Carleton, Norman**

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**From:** Carleton, Norman  
**Sent:** Monday, October 29, 2001 9:18 AM  
**To:** Schultheiss, Heidilynne; Nickoloff, Peter  
**Subject:** Enron

**October 29, 2001**

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**Money & Investing**

## **Enron Is in Discussions With Banks For Credit Line of up to \$2 Billion**

**By JATHON SAPSFORD and JOHN EMSHWILLER**  
Staff Reporters of THE WALL STREET JOURNAL

**Enron Corp.**, scrambling to restore confidence in its finances, is negotiating with banks for a new credit line of between \$1 billion and \$2 billion, and is likely to close a deal within days, according to officials familiar with the matter.

The new credit line is intended to bolster Enron's financial condition and head off a potentially devastating loss of investor and business confidence. The new credit would supplement existing lines, which are largely tapped out after **Enron** last week drew down about \$3 billion to increase cash reserves and calm fears in the stock, bond and energy markets.

An **Enron** spokesman confirmed that the company is negotiating a new credit line, but said he couldn't supply any further details. Houston-based **Enron** is the nation's biggest energy trader and a principal in nearly one-quarter of all electricity and natural-gas trades. Once a favorite of Wall Street, the company now is in the unfamiliar position of convincing a deeply concerned investment community that, despite difficulties, its finances remain sound.

Confidence in Enron's situation was shaken after **Enron** earlier this month announced a \$618 million third-quarter loss and disclosed a \$1.2 billion erosion of shareholder equity related to controversial transactions it had done with entities connected to its then-chief financial officer, Andrew Fastow.

[Enron]

Last week, **Enron** replaced Mr. Fastow and said that the Securities and Exchange Commission was looking into the transactions. The company has consistently said that the transactions were proper and legal.

Enron's stock price fell again Friday. As of 4 p.m., in composite trading on the New York Stock Exchange, **Enron** was down 95 cents at \$15.40. **Enron** has fallen 50% in the past two weeks and is down 83% from a Sept. 18, 2000, high of \$89.63.

Late last week, **Enron** tapped its existing credit lines, with part of that money being used to redeem nearly \$2 billion of its outstanding commercial paper, or short-term corporate IOUs. Ron Barone of credit-rating agency Standard & Poor's said he believes that **Enron** was "getting a bit more resistance" recently in rolling over its commercial paper as it came due. Thus, **Enron** probably

decided it would be easier simply to redeem the paper outstanding, he said.

The **Enron** spokesman Sunday said that paying off the commercial paper and still leaving the company with an additional roughly \$1 billion cash on hand would give it more financial flexibility.

Also last week, credit-rating agencies warned investors they were reviewing Enron's debt and commercial-paper ratings for a possible downgrade. A lower rating could hamper Enron's core trading businesses.

Behind the worries among these agencies, in part, is the loss of investor confidence, which one of the rating companies, Fitch, said in a report last week could impair "Enron's financial flexibility and access to capital markets, therefore impacting its ability to conduct its business."

The **Enron** spokesman said the company's trading partners are doing business with **Enron** on "essentially the same terms" as they have in the past. "There has been no significant change in the credit conditions," he said. Trading partners demanding significantly stricter terms from **Enron** would be a sign of further deteriorating confidence in the energy giant's finances. The banks involved in the negotiations, including J.P. Morgan Chase & Co. and Citigroup Inc., are asking **Enron** for stricter covenants on the new credit line than they had asked for in the past, one official said.

Bankers involved with the company say the goal of the new credit line is to show the investment community that **Enron** can meet its commitments. "Confidence in this company was lost," said one bank official involved in the negotiations for a new credit line. "But confidence will be restored."

Corporations of Enron's size commonly establish credit lines only to demonstrate to the investment community that in case of an emergency, they have access to cash. In practice, few companies actually make use of these lines. Thus, drawing down credit lines, while providing immediate cash, also illustrates the pressure **Enron** is feeling.

**Write to** Jathon Sapsford at [jathon.sapsford@wsj.com](mailto:jathon.sapsford@wsj.com) <<mailto:jathon.sapsford@wsj.com>> and John

**Tracking:**

**Recipient**

Schultheiss, Heidilynne  
Nickoloff, Peter

**Delivery**

Delivered: 10/29/01 9:18 AM  
Delivered: 10/29/01 9:18 AM

**Read**

Read: 10/29/01 9:18 AM  
Read: 10/29/01 9:19 AM

## Carleton, Norman

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**From:** Carleton, Norman  
**Sent:** Thursday, September 13, 2001 3:36 PM  
**To:** Roseboro, Brian; Bair, Sheila; Malvey, Paul; Huther, Jeff; Pietrangeli, Fred; Schultheiss, Heidilynne; Nickoloff, Peter; Gross, Jared; Sharer, James; Cetina, Jill; Corfield, Anna; Byrne, Kathleen; Dulaney, Tim  
**Subject:** Enron resumes market-making activity

Linda Robertson of Enron asked me to distribute the following press release.

## Press Release

### ENRON RESUMES MARKET-MAKING ACTIVITY IN NORTH AMERICAN NATURAL GAS AND POWER

FOR IMMEDIATE RELEASE: Wednesday, September 12, 2001

**HOUSTON** - Enron announced today it will resume its market-making activity in North American natural gas and power. Enron will buy and sell natural gas and power by phone and over its online transaction platform EnronOnline until noon CDT.

"We see no reason for North American natural gas and power markets to become unstable in the aftermath of yesterday's tragedies," said Greg Whalley, Enron president and chief operating officer. "These are domestic commodities, and the physical infrastructure is secure and operating."

Enron's markets outside of North America will operate according to their normal schedule.

Enron is one of the world's leading energy, commodities and services companies. The company markets electricity and natural gas, delivers energy and other physical commodities, and provides financial and risk management services to customers around the world. Enron's Internet address is [www.enron.com](http://www.enron.com) <<http://www.enron.com>>. The stock is traded under the ticker symbol "ENE."

###

Tracking:	Recipient	Delivery	Read
	Roseboro, Brian	Delivered: 9/13/01 3:36 PM	Deleted: 11/9/01 5:17 PM
	Bair, Sheila	Delivered: 9/13/01 3:36 PM	Read: 9/13/01 5:05 PM
	Malvey, Paul	Delivered: 9/13/01 3:36 PM	
	Huther, Jeff	Delivered: 9/13/01 3:36 PM	Read: 9/13/01 4:24 PM
	Pietrangeli, Fred	Delivered: 9/13/01 3:36 PM	Read: 9/13/01 3:38 PM
	Schultheiss, Heidilynne	Delivered: 9/13/01 3:36 PM	Read: 9/13/01 3:36 PM
	Nickoloff, Peter	Delivered: 9/13/01 3:36 PM	Read: 9/13/01 3:38 PM
	Gross, Jared	Delivered: 9/13/01 3:36 PM	Read: 9/13/01 4:43 PM
	Sharer, James	Delivered: 9/13/01 3:36 PM	Read: 9/13/01 4:18 PM
	Cetina, Jill	Delivered: 9/13/01 3:36 PM	Deleted: 10/24/01 8:30 AM
	Corfield, Anna	Delivered: 9/13/01 3:36 PM	Read: 9/13/01 3:36 PM
	Byrne, Kathleen	Delivered: 9/13/01 3:36 PM	
	Dulaney, Tim	Delivered: 9/13/01 3:36 PM	Read: 9/13/01 3:36 PM

**Carleton, Norman**

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**From:** Carleton, Norman  
**Sent:** Tuesday, August 28, 2001 9:58  
**To:** Belinda Blaine (E-mail)  
**Subject:** FW: Enron article (2)

-----Original Message-----

**From:** Carleton, Norman  
**Sent:** Wednesday, August 22, 2001 10:13 AM  
**To:** Nickoloff, Peter; Schultheiss, HeidiLynne  
**Subject:** FW: Enron article (2)

-----Original Message-----

**From:** Norman Carleton [mailto:Norman.Carleton@worldnet.att.net]  
**Sent:** Thursday, August 16, 2001 11:43 PM  
**To:** Norman Carleton; norman.carleton@do.treas.gov  
**Subject:** Enron article (2)



AUG 16, 2001

## Enron Head Seeks to Reassure Staff

By REUTERS

Filed at 4:48 p.m. ET

HOUSTON (Reuters) - The chairman of Enron Corp. ([news/quote](#)) (ENE.N) on Thursday sought to reassure employees that the energy giant's business was on firm footing as its stock faced a second day of brutal pressure on Wall Street, following a top executive's shock resignation.

Kenneth Lay told employees at a companywide meeting that Enron's business was strong, despite the extended pressure on its stock and heir apparent Jeff Skilling's unexpected resignation as president and chief executive officer.

Lay, who was met with a standing ovation when he took the podium, touched on a wide variety of topics during the 90-minute meeting during which he took questions and presented financial data he said proves the company is strong.

"We've got a lot of great stuff going on and we're not getting much credit for it in the marketplace, but we will," Lay said. "I do think the next several months and few years are going to be great for Enron."

His comments came as Enron's stock saw its worst day in 19 months, closing down \$3.40 or 8.5 percent at \$36.85 on the New York Stock Exchange. That brings its losses to roughly 13 percent since Skilling announced his resignation after the market's close Tuesday.

Lay said he believed the energy giant's stock can sustain a price-to-earnings (P-E) multiple of 25-30 going forward. It is about 20 right now, based on Wednesday's close.

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"I think the current business model can easily justify a 25-30 P-E, with the current business model and in the current market," Lay said. "We can't get that 40-50 P-E back until we get our return on capital investment up."

Enron enjoyed the higher multiples as recently as March, but then the stock began an extended slump that saw it lose about half its value.

#### WHO REPLACES SKILLING?

Though Lay took Skilling's duties over, he told employees that he expected to fill the void Skilling left in the office of the chairman in the next few days. Skilling, 47, was chief operating officer before Lay handed him the CEO reins in February, and the COO position has remained unfilled since then.

The executive or executives who assume the operational role Skilling had will largely be seen as the new heir or heirs apparent to Lay, 59. Enron earlier said it would increase the office of the chairman, which previously was occupied by Lay and Skilling, to include Lay and two understudies.

"Certainly, there is a hole in the office of the chairman, and we will be addressing that very soon. I think I told some people yesterday that we were looking to do something probably in the next couple of days," Lay said.

Lay reiterated that the succession will be internal, but did not elaborate on which executives he would choose.

#### MANY GLOBAL ASSETS TO GO

The best way to return Enron's stock to its headier levels will be to get a higher return on capital investment, he said. Enron hopes to glean billions from a sale of low-yield global assets, which it will then pour into high-return businesses, Lay said.

"The quickest way to do that is to monetize some of these assets," Lay said. "That doesn't mean we're going to monetize all of them."

He said Enron will still be very active in Europe, Japan, Australia and other countries, and may start working in developing countries at some point in the future.

Lay took more than a dozen questions from the audience, with topics ranging from work-a-day issues like how close cubicles will be spaced in Enron's new office building to the issue of what recourse there is for employees who have stock options that are priced in the \$80 range.

While he rebuffed a re-pricing of those options because "stockholders hate that," he did say all employees would be issued a new round of options that are priced at current levels.

Touching on another recent issue, Lay said Enron was in advanced talks to sell Oregon utility subsidiary Portland General, which was to be sold to utility Sierra Pacific for \$3.1 billion until regulatory issues scuttled the deal.

"We have another transaction that is pretty far advanced and it might be a transaction where we would even maintain some ownership interest in that business for some time. But it's not far enough advanced to talk about right now," Lay said, not revealing the name of the potential buyer.

Asked if Enron's broadband arm would suffer more layoffs if it was not successful by year's end, Lay said he thought "the odds of that are very, very small." Lay said 500 people were taken out of Enron's broadband operation, with about half being laid off and the rest being redeployed within the company.

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The underperformance of the broadband business, which coincided with the broad collapse of the telecommunications market, is among several problems that have dogged Enron lately.

They include a costly payment fight with the Indian government over the \$3 billion Dabhol power plant, the vilification of Enron by California politicians who blame Texas companies for their power crisis, and the breakup of a marquee video on-demand broadband Internet deal with Blockbuster Inc. (news/quote) (BBI.N).

Answering an employee question, Lay said there was no truth to a rumor that Royal Dutch/Shell RD.AS (SHEL.L) was planning a hostile takeover of Enron because of the stock's recent weakness.

**Carleton, Norman**

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**From:** Carleton, Norman  
**Sent:** Tuesday, August 28, 2001 9:58  
**To:** Belinda Blaine (E-mail)  
**Subject:** FW: Enron article

-----Original Message-----

**From:** Carleton, Norman  
**Sent:** Wednesday, August 22, 2001 10:12 AM  
**To:** Nickoloff, Peter; Schultheiss, Heidilynne  
**Subject:** FW: Enron article

-----Original Message-----

**From:** Norman Carleton [mailto:Norman.Carleton@worldnet.att.net]  
**Sent:** Thursday, August 16, 2001 11:39 PM  
**To:** Norman Carleton; norman.carleton@do.treas.gov  
**Subject:** Enron article



**AUG 15, 2001**

**Enron's Chief Executive Quits After Only 6 Months in Job**

**02927**

**By RICHARD A. OPPEL Jr. with ALEX BERENSON**



**D** ALLAS, Aug. 14 — Jeffrey Skilling, the chief executive of the Enron Corporation (news/quote), stunned Wall Street today by announcing that he would quit after just six months in the job, calling the move a "purely personal decision."

But the abruptness of the departure left many analysts questioning whether a series of setbacks the company has suffered played a part in the decision.

Kenneth Lay, Enron's 59-year-old chairman, will step back into the position he left early this year after 15 years as chief executive.

Mr. Lay, who originally recruited Mr. Skilling to Enron, said tonight that he had agreed to stay on through the end of 2005 to "make sure we've got plenty of time to work out an orderly succession."

Mr. Skilling, 47, had been at the heart of the transformation of Enron from an old-line natural gas pipeline company to the biggest and most aggressive of the new breed of unregulated energy traders that buy and sell billions of dollars of electricity and other commodities daily.

That strategy helped Enron's stock price soar during the last decade. But this year the company's shares have fallen sharply, as Enron has suffered from problems with its new broadband telecommunications trading unit, its investment in a large power plant in India, and criticism from officials in California, who blame Enron and other energy companies for the collapse of the state's electricity market.

A former energy consultant at McKinsey & Company who joined Enron in 1990, Mr. Skilling built its energy-trading operations into the company's most profitable unit, accounting for nearly \$1.7 billion — or 85 percent — of operating income last year. He became president and chief operating officer in 1997, and in February of this year became chief

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executive.

On a conference call, Mr. Skilling said he could not "stress enough that this has nothing to do with Enron." He added that "the reasons for leaving the business are personal, but I'd just as soon keep that private."

Mr. Skilling, who is divorced, has joint custody of three teenage children — a daughter, 17, and two sons, 14 and 11 — with his ex-wife. Mr. Skilling, who will leave the board but will serve as a consultant to the company, will not receive any severance package because his departure is voluntary, Mr. Lay said.

Since May 2000, Mr. Skilling has sold at least 450,000 Enron shares worth at least \$33 million, according to Securities and Exchange Commission filings. He still owns about 1.1 million shares, the filings show.

"Absolutely no accounting issue," Mr. Lay told analysts, "no trading issue, no reserve issue, no previously unknown problem issues" are behind the departure. There will be "no change in the performance or outlook of the company going forward," he added.

He also said the company was on track to meet analysts' earnings expectations, which are about \$1.80 a share this year and \$2.15 next year.

On the call, Mr. Skilling said that "in general there have been a lot of issues" that have buffeted the company this year, but he said that he believed Enron had already surmounted most of them. "Now is the time" to step down, he said, "because I think we've got a lot of these things behind us."

Nonetheless, the move jolted analysts, who, despite the stock's recent slide and the company's other problems, saw Mr. Skilling as the unquestioned leader to follow Mr. Lay.

In after-hours trading, shares of Enron fell about 8 percent, to \$39.55. That fall follows a plunge of almost 50 percent since January in the stock, which had closed in regular trading at \$42.93, up 78 cents. The news of the executive changes came after the market closed.

"I'm surprised and I'm stunned," said Philip K. Verleger, an energy economist with the Brattle Group, a consulting firm in Cambridge, Mass. "Skilling was the guy who executed the growth in the trading business."

Investors have become increasingly concerned that a surge in new power plant construction will lead to a glut of electricity within a few years and lower the value of Enron's role as a middleman between plant owners and electricity users. In addition, the company's efforts to enter the water business have fared poorly, and its broadband trading operation has become a cash drain.

Mr. Skilling's promotion early this year came after several crucial Enron executives resigned. These included Rebecca Mark, who at one time was considered a rival for the top job.

Ms. Mark became chief executive of the Azurix Corporation (news/quote) in 1999 after Enron spun off the company, its global water business. But its financial performance was disappointing, and Ms. Mark left the company last year. Enron later agreed to buy back Azurix stock for less than half what public shareholders had paid.

**Carleton, Norman**

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**From:** Carleton, Norman  
**Sent:** Thursday, August 23, 2001 4:32 PM  
**To:** Novey, Michael; Hammer, Viva; Eichner, Matthew  
**Subject:** FW: Enron article (2)

Tracking:	Recipient	Delivery	Read
	Novey, Michael	Delivered: 8/23/01 4:32 PM	Read: 8/24/01 9:38 AM
	Hammer, Viva	Delivered: 8/23/01 4:32 PM	
	Eichner, Matthew	Delivered: 8/23/01 4:32 PM	Read: 8/23/01 10:59 PM

-----Original Message-----

**From:** Norman Carleton [mailto:Norman.Carleton@worldnet.att.net]  
**Sent:** Thursday, August 16, 2001 11:43 PM  
**To:** Norman Carleton; norman.carleton@do.treas.gov  
**Subject:** Enron article (2)



AUG 16, 2001

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By REUTERS

Filed at 4:48 p.m. ET

02929

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1/15/02

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#### MANY GLOBAL ASSETS TO GO

# 02930

The best way to return Enron's stock to its headier levels will be to get a higher return on capital investment, he said. Enron hopes to glean billions from a sale of low-yield global assets, which it will then pour into high-return businesses, Lay said.

"The quickest way to do that is to monetize some of these assets," Lay said. "That doesn't mean we're going to monetize all of them."

He said Enron will still be very active in Europe, Japan, Australia and other countries, and may start working in developing countries at some point in the future.

Lay took more than a dozen questions from the audience, with topics ranging from work-a-day issues like how close cubicles will be spaced in Enron's new office building to the issue of what recourse there is for employees who have stock options that are priced in the \$80 range.

While he rebuffed a re-pricing of those options because "stockholders hate that," he did say all employees would be issued a new round of options that are priced at current levels.

Touching on another recent issue, Lay said Enron was in advanced talks to sell Oregon utility subsidiary Portland General, which was to be sold to utility Sierra Pacific for \$3.1 billion until regulatory issues scuttled the deal.

"We have another transaction that is pretty far advanced and it might be a transaction where we would even maintain some ownership interest in that business for some time. But it's not far enough advanced to talk about right now," Lay said, not revealing the name of the potential buyer.

Asked if Enron's broadband arm would suffer more layoffs if it was not successful by year's end, Lay said he thought "the odds of that are very, very small." Lay said 500 people were taken out of Enron's broadband operation, with about half being laid off and the rest being redeployed within the company.

The underperformance of the broadband business, which coincided with the broad collapse of the

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telecommunications market, is among several problems that have dogged Enron lately.

They include a costly payment fight with the Indian government over the \$3 billion Dabhol power plant, the vilification of Enron by California politicians who blame Texas companies for their power crisis, and the breakup of a marquee video on-demand broadband Internet deal with Blockbuster Inc. ([news/quote](#)) (BBI.N).

Answering an employee question, Lay said there was no truth to a rumor that Royal Dutch/Shell RD.AS (SHEL.L) was planning a hostile takeover of Enron because of the stock's recent weakness.

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**Carleton, Norman**

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**From:** Carleton, Norman  
**Sent:** Wednesday, August 22, 2001 10:13 AM  
**To:** Nickoloff, Peter; Schultheiss, Heidilynne  
**Subject:** FW: Enron article (2)

Tracking:	Recipient	Delivery	Read
	Nickoloff, Peter	Delivered: 8/22/01 10:13 AM	Read: 8/22/01 10:15 AM
	Schultheiss, Heidilynne	Delivered: 8/22/01 10:13 AM	Read: 8/26/01 8:50 AM

-----Original Message-----

**From:** Norman Carleton [mailto:Norman.Carleton@worldnet.att.net]  
**Sent:** Thursday, August 16, 2001 11:43 PM  
**To:** Norman Carleton; norman.carleton@do.treas.gov  
**Subject:** Enron article (2)



AUG 16, 2001

## Enron Head Seeks to Reassure Staff

By REUTERS

Filed at 4:48 p.m. ET

HOUSTON (Reuters) - The chairman of Enron Corp. ([news/quote](#)) (ENE.N) on Thursday sought to reassure employees that the energy giant's business was on firm footing as its stock faced a second day of brutal pressure on Wall Street, following a top executive's shock resignation.

Kenneth Lay told employees at a companywide meeting that Enron's business was strong, despite the extended pressure on its stock and heir apparent Jeff Skilling's unexpected resignation as president and chief executive officer.

Lay, who was met with a standing ovation when he took the podium, touched on a wide variety of topics during the 90-minute meeting during which he took questions and presented financial data he said proves the company is strong.

"We've got a lot of great stuff going on and we're not getting much credit for it in the marketplace, but we will," Lay said. "I do think the next several months and few years are going to be great for Enron."

His comments came as Enron's stock saw its worst day in 19 months, closing down \$3.40 or 8.5 percent at \$36.85 on the New York Stock Exchange. That brings its losses to roughly 13 percent since Skilling announced his resignation after the market's close Tuesday.

Lay said he believed the energy giant's stock can sustain a price-to-earnings (P-E) multiple of 25-30 going forward. It is about 20 right now, based on Wednesday's close.

"I think the current business model can easily justify a 25-30 P-E, with the current business model and in the current market," Lay said. "We can't get that 40-50 P-E back until we get our return on capital investment up."

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Enron enjoyed the higher multiples as recently as March, but then the stock began an extended slump that saw it lose about half its value.

#### WHO REPLACES SKILLING?

Though Lay took Skilling's duties over, he told employees that he expected to fill the void Skilling left in the office of the chairman in the next few days. Skilling, 47, was chief operating officer before Lay handed him the CEO reins in February, and the COO position has remained unfilled since then.

The executive or executives who assume the operational role Skilling had will largely be seen as the new heir or heirs apparent to Lay, 59. Enron earlier said it would increase the office of the chairman, which previously was occupied by Lay and Skilling, to include Lay and two understudies.

"Certainly, there is a hole in the office of the chairman, and we will be addressing that very soon. I think I told some people yesterday that we were looking to do something probably in the next couple of days," Lay said.

Lay reiterated that the succession will be internal, but did not elaborate on which executives he would choose.

#### MANY GLOBAL ASSETS TO GO

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Answering an employee question, Lay said there was no truth to a rumor that Royal Dutch/Shell RD.AS (SHELL) was planning a hostile takeover of Enron because of the stock's recent weakness.

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**Carleton, Norman**

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**From:** Carleton, Norman  
**Sent:** Thursday, August 23, 2001 4:32 PM  
**To:** Novey, Michael; Hammer, Viva; Eichner, Matthew  
**Subject:** FW: Enron article

Tracking:	Recipient	Delivery	Read
	Novey, Michael	Delivered: 8/23/01 4:32 PM	Read: 8/24/01 9:37 AM
	Hammer, Viva	Delivered: 8/23/01 4:32 PM	
	Eichner, Matthew	Delivered: 8/23/01 4:32 PM	

-----Original Message-----

**From:** Norman Carleton [mailto:Norman.Carleton@worldnet.att.net]  
**Sent:** Thursday, August 16, 2001 11:39 PM  
**To:** Norman Carleton; norman.carleton@do.treas.gov  
**Subject:** Enron article



**AUG 15, 2001**

### **Enron's Chief Executive Quits After Only 6 Months in Job**

**By RICHARD A. OPPEL Jr. with ALEX BERENSON**

 **D** ALLAS, Aug. 14 — Jeffrey Skilling, the chief executive of the Enron Corporation (*news/quote*), stunned Wall Street today by announcing that he would quit after just six months in the job, calling the move a "purely personal decision."

But the abruptness of the departure left many analysts questioning whether a series of setbacks the company has suffered played a part in the decision.

Kenneth Lay, Enron's 59-year-old chairman, will step back into the position he left early this year after 15 years as chief executive.

Mr. Lay, who originally recruited Mr. Skilling to Enron, said tonight that he had agreed to stay on through the end of 2005 to "make sure we've got plenty of time to work out an orderly succession."

Mr. Skilling, 47, had been at the heart of the transformation of Enron from an old-line natural gas pipeline company to the biggest and most aggressive of the new breed of unregulated energy traders that buy and sell billions of dollars of electricity and other commodities daily.

That strategy helped Enron's stock price soar during the last decade. But this year the company's shares have fallen sharply, as Enron has suffered from problems with its new broadband telecommunications trading unit, its investment in a large power plant in India, and criticism from officials in California, who blame Enron and other energy companies for the collapse of the state's electricity market.

A former energy consultant at McKinsey & Company who joined Enron in 1990, Mr. Skilling built its energy-trading operations into the company's most profitable unit, accounting for nearly \$1.7 billion — or 85 percent — of operating income last year. He became president and chief operating officer in 1997, and in February of this year became chief executive.

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On a conference call, Mr. Skilling said he could not "stress enough that this has nothing to do with Enron." He added that "the reasons for leaving the business are personal, but I'd just as soon keep that private."

Mr. Skilling, who is divorced, has joint custody of three teenage children — a daughter, 17, and two sons, 14 and 11 — with his ex-wife. Mr. Skilling, who will leave the board but will serve as a consultant to the company, will not receive any severance package because his departure is voluntary, Mr. Lay said.

Since May 2000, Mr. Skilling has sold at least 450,000 Enron shares worth at least \$33 million, according to Securities and Exchange Commission filings. He still owns about 1.1 million shares, the filings show.

"Absolutely no accounting issue," Mr. Lay told analysts, "no trading issue, no reserve issue, no previously unknown problem issues" are behind the departure. There will be "no change in the performance or outlook of the company going forward," he added.

He also said the company was on track to meet analysts' earnings expectations, which are about \$1.80 a share this year and \$2.15 next year.

On the call, Mr. Skilling said that "in general there have been a lot of issues" that have buffeted the company this year, but he said that he believed Enron had already surmounted most of them. "Now is the time" to step down, he said, "because I think we've got a lot of these things behind us."

Nonetheless, the move jolted analysts, who, despite the stock's recent slide and the company's other problems, saw Mr. Skilling as the unquestioned leader to follow Mr. Lay.

In after-hours trading, shares of Enron fell about 8 percent, to \$39.55. That fall follows a plunge of almost 50 percent since January in the stock, which had closed in regular trading at \$42.93, up 78 cents. The news of the executive changes came after the market closed.

"I'm surprised and I'm stunned," said Philip K. Verleger, an energy economist with the Brattle Group, a consulting firm in Cambridge, Mass. "Skilling was the guy who executed the growth in the trading business."

Investors have become increasingly concerned that a surge in new power plant construction will lead to a glut of electricity within a few years and lower the value of Enron's role as a middleman between plant owners and electricity users. In addition, the company's efforts to enter the water business have fared poorly, and its broadband trading operation has become a cash drain.

Mr. Skilling's promotion early this year came after several crucial Enron executives resigned. These included Rebecca Mark, who at one time was considered a rival for the top job.

Ms. Mark became chief executive of the Azurix Corporation (news/quote) in 1999 after Enron spun off the company, its global water business. But its financial performance was disappointing, and Ms. Mark left the company last year. Enron later agreed to buy back Azurix stock for less than half what public shareholders had paid.

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