UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

THE ALBERT FADEM TRUST and LLOYD R. FADEM, as Trustee, on behalf of themselves and all others similarly situated,		X	No.
Plaintiffs,	:		CLASS ACTION COMPLAINT
against	:		JURY TRIAL DEMANDED
CITIGROUP INC., SANFORD I. WEILL, and TODD THOMSON,	:		
Defendants.	:	X	

Plaintiffs, by their undersigned attorneys, individually and on behalf of the Class described below, upon information and belief, based upon, *inter alia*, the investigation of counsel, which includes, among other things, a review of public announcements made by defendants, Securities and Exchange Commission ("SEC") filings made by defendants, press releases, reports of securities analysts, and media reports, except as to the paragraph applicable to the named plaintiffs which is alleged upon personal knowledge, bring this complaint (the "Complaint") against defendants named herein, and allege as follows:

SUMMARY OF ALLEGATIONS

1. This is a securities class action alleging violations of the federal securities laws and the common law in connection with misstatements and omissions of material fact regarding Citigroup Inc. ("Citigroup" or the "Company") by the defendants named herein. In particular, during the class period hereinafter defined, defendants made misrepresentations and/or omissions of material fact, including:

- C Failing to disclose that Citigroup misrepresented a 1999 transaction with Enron that was structured as commodity trade but served the same purpose as a loan to help Enron keep $125 million in debt off of its books;
- C Affirmatively misrepresenting Citigroup's potential Enron-related exposure in its 2001 Annual Report and elsewhere; and,
- C Failing to disclose the true extent of Citigroup's potential legal liability arising out of its "structured finance" dealings with Enron.

2. When Wall Street learned about the foregoing on July 23, 2002 after executives of Citigroup and J.P. Morgan Chase testified before the U.S. Senate regarding the transactions at issue, Citigroup stock plummeted $5.04 or 15.73% to close at $27.00, less than half its class period high.

JURISDICTION

3. This Court has jurisdiction over the subject matter of this action pursuant to § 27 of the Securities Exchange Act of 1934 (the "Exchange Act") (15 U.S.C. § 78aa) and 28 U.S.C. § 1331.

4. Plaintiff brings this action pursuant to Section 10(b) and 20(a) of the Exchange Act as amended (15 U.S.C. § 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder (17 C.F.R. § 240.10b-5), and the common law. Venue is proper in this District because defendants conduct business in this District, defendant Citigroup maintains its headquarters in this District, Citigroup's stock is listed on the New York Stock Exchange, and certain of the wrongful acts alleged herein took place or originated in this District.

5. In connection with the acts alleged in this Complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications and the facilities of the national securities markets.

PARTIES

6. Plaintiffs The Albert Fadem Trust and Lloyd R. Fadem ("Plaintiffs") purchased shares of Citigroup at an artificially inflated price as set forth on Schedule "A" hereto and were damaged thereby.

7. Defendant Citigroup, a diversified global financial services holding company whose businesses provide a broad range of financial services to consumer and corporate customers, is a Delaware corporation having its principal place of business at 399 Park Avenue, New York, New York. The Company's stock trades in an efficient market on the New York Stock Exchange under the symbol "C".

8. Defendant Sanford I. Weill served at times relevant hereto as Citigroup's Chairman and Chief Executive Officer.

9. Defendant Todd Thomson served at times relevant hereto as Citigroup's Chief Financial Officer. Defendants Weill and Thomson are referred to jointly as the"Individual Defendants".

CLASS ACTION ALLEGATIONS

10. Plaintiffs bring this action as a class action pursuant to Rule 23(a) and (b)(3) of the Federal

Rules of Civil Procedure on behalf of a class consisting of all persons who purchased, converted, exchanged or otherwise acquired the common stock of Citigroup ("the Class") between July 24, 1999 and July 23, 2002, inclusive (the "Class Period").

11. Members of the Class are so numerous that joinder of all members is impracticable. Specifically:

a. There were 5,127,926,371 shares of Citigroup stock issued and outstanding as of February 4, 2002; and

b. While the exact number of Class members is unknown to plaintiffs at this time and can only be ascertained through appropriate discovery, plaintiffs believe that there are thousands of Class members who acquired Citigroup stock during the Class Period.

12. Plaintiffs' claims are typical of the claims of the other members of the Class. Plaintiffs and the other members of the Class have sustained damages because of defendants' unlawful activities alleged herein. Plaintiffs have retained counsel competent and experienced in class and securities litigation and intend to prosecute this action vigorously. The interests of the Class will be fairly and adequately protected by plaintiffs. Plaintiffs have no interests which are contrary to or in conflict with those of the Class that plaintiffs seek to represent.

13. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy. Plaintiffs know of no difficulty to be encountered in the management of this action that would preclude its maintenance as a class action.

14. Common questions of law and fact exist as to all members of the Class and predominate

over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

a. whether the federal securities laws were violated by defendants' acts as alleged herein;

b. whether defendants misstated and/or omitted to state material facts in their public statements and filings with the Securities and Exchange Commission ("SEC");

c. whether defendants participated directly or indirectly in the course of conduct complained of herein; and

d. whether the members of the Class have sustained damages as a result of defendants' conduct and the proper measure of such damages.

DEFENDANTS' FRAUDULENT COURSE OF CONDUCT

A. Citigroup Conceals The Crucial Material Fact That Its Enron-related Exposure Goes Far Beyond Credit Risk Associated With Loans To Enron

15. After the collapse of Enron, a crucial material fact to investors was the level of exposure that banks and other financial institutions faced as a result. In the absence of clear guidance, analysts had mixed views of Citigroup's exposure. The consensus was that Citigroup's exposure was limited to credit risk associated with its loans to Enron and related losses and that Citigroup's exposure was significant but would not cause a major drag on earnings. As Goldman Sachs analyst Richard Strauss said in a report in November 2001:

> The after-tax impact to (earnings per share) -- should Enron go completely under -- based on Citigroup's 5.2 billion shares outstanding and J P Morgan's 2 billion shares outstanding would be less than $0.05 for Citigroup and $0.10 for J P Morgan.

This would have worked out to a total exposure for Citigroup of about $200 million. Most people believed Citigroup's sophisticated hedging strategies would cushion the blow from any major catastrophe. As Business Week reported:

> HEDGED POSITION. As one of Enron's largest lenders, Citigroup has an estimated $800 million to $1 billion in exposure to the energy giant's flame-out. But Citi's actual losses will be far lower, because all but $300 million of these loans are said to be backed by assets and because the company hedged the loans with financial instruments known as credit derivatives. Citigroup, along with J.P. Morgan Chase, extended an additional $1.5 billion to Enron on Nov. 30, as a "debtor in possession" loan, which generally carries high fees and puts both lenders first when the company starts to repay its debts.

Citigroup did little to debunk the conventional wisdom. As defendant Thomson stated: "There are few things that don't affect Citigroup in some way... [t]hey don't affect the company enough to stop ongoing earnings growth."

16. Unbeknownst to investors, Citigroup's exposure arising out of Enron was not limited to credit risk. On January 15, 2002 Anita Raghavan of The Wall Street Journal reported :

> The Securities and Exchange Commission, as part of its Enron probe, is reviewing the financing lines that banks such as J.P. Morgan Chase & Co. and Citigroup Inc. provided to the energy-trading company, these people say. Regulators are examining whether the banks helped to create the intricate and misleading financial structure that eventually led to Enron's bankruptcy-law filing, these people say.

17. On January 17, 2002 Citigroup issued a release reporting its income for 4Q 01. In such release the Company stated as follows:

> ...Citigroup Inc. reported core income for the fourth quarter ended December 31, 2001 of \$3.86 billion, increasing 16% over the fourth quarter of 2000. Core income per share, diluted, increased 14%, to \$0.74. Results include \$228 million pre-tax impact relating to Enron, and \$470 million pre-tax impact due to the turmoil in Argentina...
> Higher credit losses and revenue impairment stemming from Enron's recent bankruptcy filing as well as substantial turmoil in Argentina. Related to Enron, Citigroup recorded a \$228 million pre-tax charge, including increased credit losses and write-downs on investment securities and trading positions.

18. Citigroup's Annual Report on Form 10K for the year ending December 31, 2001 filed with the SEC on March 12, 2002 contained the following statement:

> IMPACT FROM ENRON As a result of the financial deterioration and eventual bankruptcy of Enron Corporation in the fourth quarter of 2001, Citigroup's results were reduced by \$228 million (pretax) as a result of the write-down of Enron-related credit exposure and trading positions, and the impairment of Enron-related investments. We will continue to monitor this situation and its impact. 2001 10K, p. 4.

19. The statements contained in ¶¶ 17 and 18, supra, were rendered materially misleading by Citigroup's failure to disclose that Citigroup's exposure was not limited to the writedowns disclosed, but in fact was potentially much larger due to Citigroup's intimate involvement in the structured finance transactions that underlaid Enron's deceptive accounting practices. For example, Citigroup misrepresented a 1999 transaction with Enron that was structured as commodity trade but served the same purpose as a loan to help Enron keep \$125 million in debt off of its books. In addition, Citigroup provided more than \$4.8 billlion to Enron via so-called "prepay" transactions in which financing was booked as deferred income and recognized once the underlying commodity such

as oil or gas was delivered.

B. Citigroup's True Level Of Potential Enron-Related Exposure Is Revealed

20. On July 23, 2002, after the Senate Permanent Subcommittee on Investigations had opened an investigation into the role of Citigroup and other financial institutions in the collapse of Enron, the New York Times reported that bankers including Citigroup intentionally manipulated the written record of their dealings with Enron to allow the company to improperly avoid the requirements of accounting rules and the law, thus keeping $125 million in debt off its books. The Times article further reported that in a 1999 commodities transaction, Citigroup bankers knew that a secret oral agreement they had reached with Enron required that the accounting for the transaction be changed but left that side deal out of the written record and allowed Enron to account for the transaction in a way that the bankers knew was improper. Citigroup personnel knew very well what the purpose of this arrangement was. As James F. Reilly, a senior Citigroup loan executive in Houston said in an e-mail: "The paperwork cannot reflect their agreement, as it would unfavorably alter the accounting."

21. Senator Carl Levin, Democrat of Michigan said of his conclusions regarding the investigation: "Citibank was a participant in this accounting deception." Senator Susan M. Collins of Maine said the investigation had found that Citigroup was willing to risk its reputation "to keep Enron, an important client, happy."

22. When Wall Street learned about the foregoing on July 23, 2002 and assessed the impact to Citigroup's reputation and the potential significant legal liability arising out of its

improper business practices, Citigroup's stock plummeted $5.04 or 15.73% to close at $27.00 on July 23, 2002.

MISSTATEMENTS AND OMISSIONS OF MATERIAL FACTS

23. Defendants made misrepresentations and/or omissions of material fact, including:

C Failing to disclose that Citigroup misrepresented a 1999 transaction with Enron that was structured as commodity trade but served the same purpose as a loan to help Enron keep $125 million in debt off of its books;

C Affirmatively misrepresenting Citigroup's potential Enron-related exposure in its 2001 Annual Report and elsewhere; and,

C Failing to disclose the true extent of Citigroup's potential legal liability arising out of its "structured finance" dealings with Enron.

STATUTORY SAFE HARBOR

24. The statutory safe harbor provided for forward-looking statements does not apply here as the false statements alleged herein were not forward-looking.

FRAUD ON THE MARKET

25. Plaintiffs will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that:

a. Defendants made public misrepresentations or failed to disclose material facts during the Class Period regarding Citigroup as alleged herein;

b. The omissions and misrepresentations were material;

c. During the Class Period, Citigroup's common stock was traded on a developed national stock exchange, namely the New York Stock Exchange, which is an open and efficient market;

d. Citigroup filed periodic reports with the SEC;

e. Citigroup was followed by numerous securities analysts;

f. The market rapidly assimilated information about Citigroup that was publicly available and communicated by the foregoing means and that information was promptly reflected in the price of Citigroup's common stock; and

g. The misrepresentations and omissions alleged herein would tend to induce a reasonable investor to misjudge the value of Citigroup's common stock.

SCIENTER

26. The Individual Defendants acted with scienter in that they knew that the statements issued and disseminated by Citigroup were materially false and misleading, or that the statements therein were made and distributed with reckless disregard for facts that Citigroup either knew or should have known. The Individual Defendants knew or recklessly disregarded the fact that

such misleading statements would be distributed and disseminated to the investing public, and substantially participated in and/or acquiesced in the issuance and dissemination of such statements in violation of the federal securities laws.

27. The Individual Defendants either knew that such statements were false and misleading or acted with reckless disregard of such falsity since, as officers and directors of Citigroup, the Individual Defendants knew of (or alternatively had free and unfettered access to materials that would have revealed) the material facts that Citigroup failed to disclose. If the Individual Defendants did not have actual knowledge of the misrepresentations and omissions alleged, then they were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether statements disseminated by Citigroup were true.

28. The Individual Defendants also had substantial economic motives to conceal the true facts regarding Citigroup's level of exposure to Enron, including the following: By concealing such facts, the Individual Defendants enabled Citigroup to successfully complete its spinoff of Travelers Property Casualty Corp. in March 2002 without disruption, raising over $3.7 billion for Citigroup. In addition, by concealing such facts defendants Weill and Thomson were able to artificially inflate the value of their own substantial holdings in Citigroup stock and options and exercise hundreds of thousands of call options to purchase Citigroup stock that would not have been "in the money" and/or would have been "in the money" to a lesser extent were it not for the artificial inflation of Citigroup's share price as alleged herein.

AS AND FOR A FIRST CAUSE OF ACTION AGAINST ALL DEFENDANTS FOR VIOLATIONS OF SECTION 10(B) OF THE SECURITIES EXCHANGE ACT OF 1934 AND RULE 10B-5 PROMULGATED THEREUNDER

29. Plaintiffs repeat and reallege the allegations set forth above as though fully set forth herein.

30. During the Class Period, the defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (a) deceive the investing public, including plaintiffs and other Class members, as alleged herein; (b) artificially inflate and maintain the market price of Citigroup common stock; and (c) cause plaintiffs and other members of the Class to purchase Citigroup stock at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, defendants took the actions set forth herein.

31. Defendants: (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices and a course of business which operated as a fraud and deceit upon the purchasers of the Company's common stock in an effort to maintain artificially high market prices for Citigroup common stock in violation of Section 10(b) of the Exchange Act and Rule 10b-5.

32. In addition to the duties of full disclosure imposed on defendants as a result of their making of affirmative statements and reports, or participation in the making of affirmative statements and reports to the investing public, defendants had a duty to promptly disseminate truthful information that would be material to investors in compliance with the integrated disclosure provisions of the SEC as embodied in SEC Regulations S-X (17 C.F.R. § 210.01 *et seq.*) and S-K (17 C.F.R. § 229.10 *et seq*.) and other SEC regulations, including accurate and truthful information with respect to the Company's operations, financial condition and performance so that the market prices of the Company's publicly traded securities would be based on truthful, complete and accurate information.

33. Defendants, individually and in concert, directly and indirectly, by the use of means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about Citigroup and its financial condition, as set forth more particularly herein, and engaged in practices and a course of business which operated as a fraud and deceit upon the purchasers of Citigroup securities during the Class Period.

34. Defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were readily available to them.

35. Defendants' material misrepresentations and/or omissions were made knowingly or recklessly and for the purpose and effect of artificially inflating the market price of Citigroup stock.

36. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market price of Citigroup's common stock was artificially inflated during the Class Period. In ignorance of the fact that the market price of Citigroup's

shares was artificially inflated, and relying directly or indirectly on the false and misleading statements made by defendants, or upon the integrity of the market in which the securities trade, and/or the absence of material adverse information that was known to or recklessly disregarded by defendants but not disclosed in public statements by the defendants during the Class Period, plaintiffs and the other members of the Class acquired Citigroup common stock during the Class Period at artificially inflated prices and were damaged thereby.

37. At the time of said misrepresentations and omissions, plaintiffs and other members of the Class were ignorant of their falsity, and believed them to be true. Had plaintiffs and the other members of the Class and the marketplace known that the price of Citigroup shares had been artificially inflated by defendants' actions, plaintiffs and other members of the Class would not have purchased or otherwise acquired their Citigroup securities during the Class Period, or, if they had acquired such securities during the Class Period, they would not have done so at the artificially inflated prices that they paid.

38. By virtue of the foregoing wrongful conduct by defendants, plaintiffs and the other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

AS AND FOR A SECOND CAUSE OF ACTION AGAINST THE INDIVIDUAL DEFENDANTS AND FOR VIOLATION OF SECTION 20(A) OF THE SECURITIES EXCHANGE ACT OF 1934

39. Plaintiffs repeat and reallege each and every allegation contained above as though fully

set forth herein, including the allegations of scienter set forth at ¶¶ 26 through 28, supra.

40. The Individual Defendants and Citigroup acted as controlling persons of Citigroup within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, and their ownership and contractual rights, and participation in and/or awareness of Citigroup's operations, the Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of Citigroup, including the wrongful acts alleged herein.

41. The Individual Defendants, by reason of their executive positions and/or board membership, were the controlling persons of Citigroup and had the power and influence to cause, and did cause, Citigroup to engage in the conduct complained of herein, and participated culpably in the conduct complained of herein. Thus, the Individual Defendants controlled the public dissemination of the false and misleading information alleged herein and were culpable participants in the wrongful conduct alleged herein.

42. In particular, each of the Individual Defendants had direct and supervisory involvement in the day-to-day operations of Citigroup and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations alleged herein, and exercise the same. Such transactions included, without limitation, Citigroup's issuance and dissemination of misleading financial statements.

43. As set forth above, the Individual Defendants and Citigroup each violated § 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their positions as controlling persons of defendant Citigroup, the Individual Defendants are liable pursuant to § 20(a) of

the Exchange Act. As a direct and proximate result of defendants' wrongful conduct, plaintiffs and the Class suffered damages in connection with their purchases of Citigroup common stock.

AS AND FOR A THIRD CAUSE OF ACTION AGAINST
ALL DEFENDANTS FOR COMMON LAW FRAUD

44. Plaintiffs repeat and reallege each of their previous allegations as though fully set forth herein.

45. The defendants named in this cause of action owed plaintiffs and the Class a duty of full disclosure, honesty, candor, and a duty to exercise reasonable care in making public statements regarding Citigroup's business, financial results and operations.

46. In furtherance of the unlawful course of conduct alleged herein, and with intent to deceive investors, the defendants named in this cause of action employed a scheme and artifice to defraud, as a part of which defendants made and/or participated in the making of the misrepresentations and omissions of fact to plaintiffs and the Class regarding Citigroup's business as alleged herein.

47. The aforementioned material misrepresentations and omissions of material facts were made by the defendants named in this cause of action intentionally, with knowledge that they were false, or in reckless disregard of their falsity, to artificially inflate the market price of Citigroup's common stock. Defendants knew that plaintiffs and the Class were relying on their misrepresentations and omissions as well as the artificially inflated market price of Citigroup's common stock.

48. As a direct and proximate result of such unlawful conduct, plaintiffs and the Class have

suffered money damages.

JURY DEMAND

49. Plaintiffs demand a trial by jury.

PRAYER FOR RELIEF

WHEREFORE, plaintiffs, on behalf of themselves and on behalf of the Class, pray for judgment as follows:

A. Declaring this action to be a class action pursuant to Rule 23(a) and (b)(3) of the Federal Rules of Civil Procedure and certifying plaintiffs as class representative of the Class and their counsel as class counsel;

B. Awarding damages against defendants, jointly and severally, including disgorgement of all unjust enrichment, for damages suffered as a result of defendants' violation of the securities laws, as well as punitive damages pursuant to the common law of the State of New York;

C. Awarding plaintiffs and the Class prejudgment and post-judgment interest, as well as their reasonable attorneys' and expert witnesses' fees and other costs; and,

D. Awarding such other and further relief as this Court may deem just and proper.

DATED: New York, New York
July 23, 2002

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