

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

09 011 7859

BEVERLY PELLEGRINI, Individually and
On Behalf of All Others
Similarly Situated,

Plaintiff,

vs.

CITIGROUP INC., SIR WIN BISCHOFF,
VIKRAM S. PANDIT, GARY L.
CRITTENDEN, CHARLES O. PRINCE, III,
JOHN C. GERSPACH, SALLIE L.
KRAWCHECK, C. MICHAEL
ARMSTRONG, ALAIN J.P. BELDA,
GEORGE DAVID, RICHARD D. PARSONS,
KENNETH T. DERR, JOHN M. DEUTCH,
ANDREW N. LIVERIS, ROBERTO
HERNÁNDEZ RAMIREZ, ANN DIBBLE
JORDAN, KLAUS KLEINFELD, ANNE M.
MULCAHY, JUDITH RODIN, SANFORD I.
WEILL, ROBERT E. RUBIN, FRANKLIN A.
THOMAS, SAUL ROSEN
CITIGROUP GLOBAL MARKETS INC.,
MERRILL LYNCH, PIERCE, FENNER &
SMITH INCORPORATED, MORGAN
STANLEY & CO. INCORPORATED, UBS
SECURITIES LLC, WACHOVIA CAPITAL
MARKETS, LLC, BANC OF AMERICA
SECURITIES LLC, RBC CAPITAL
MARKETS CORP., DEUTSCHE BANK
SECURITIES INC., GOLDMAN, SACHS
& CO., BARCLAYS CAPITAL INC.,
CREDIT SUISSE SECURITIES (USA) LLC,
WELLS FARGO SECURITIES, LLC and
KPMG LLP,

Defendants.

x
: Civil Action No.
: CLASS ACTION
: COMPLAINT FOR VIOLATION OF THE
: FEDERAL SECURITIES LAWS

x
DEMAND FOR JURY TRIAL

NATURE OF THE ACTION

1. This is a securities class action on behalf of all persons who acquired the 8.50% Non-Cumulative Preferred Stock, Series F ("Preferred Stock") of Citigroup Inc. ("Citigroup" or the "Company"), pursuant and/or traceable to a false and misleading registration statement and prospectus (collectively, the "Registration Statement") issued in connection with the Company's May 2008 offering of the Company's Preferred Stock (the "Offering"). This action asserts strict liability claims under the Securities Act of 1933 ("1933 Act") against Citigroup, its auditor, its directors and the investment banks which underwrote the May 2008 Offering (collectively, "defendants").

2. Citigroup is a diversified global financial services holding company whose businesses provide a range of financial services to consumer and corporate customers. Its segments include Global Consumer Group, Corporate and Investment Banking, Global Wealth Management and Alternative Investments. Citigroup is headquartered in New York, New York and has offices around the globe.

3. On May 6, 2008, defendants consummated Citigroup's Offering pursuant to the false and misleading Registration Statement, selling 80 million depository shares of Preferred Stock at \$25 per share (with an overallotment option granted to the underwriters to purchase up to an additional 12 million shares aggregate principal amount of Preferred Stock), for proceeds of \$2 billion.

4. Citigroup ultimately announced huge charges associated with its mortgage and credit-related asset portfolio, causing the price of Citigroup's common stock and the Preferred Stock issued in the Offering to decline.

5. The true facts which were omitted from the Registration Statement were:

(a) Citigroup's loan portfolio, including its commercial real estate loans and

loans to those with low credit ratings, was impaired to a much larger extent than the Company had disclosed;

(b) Citigroup's collateralized debt obligations were impaired to a greater extent than the Company had disclosed;

(c) Citigroup's investments were impaired to a greater extent than the Company had disclosed;

(d) Citigroup's assets in its structured investment vehicles were impaired to a greater extent than the Company had disclosed;

(e) Defendants failed to properly record losses for impaired assets, causing Citigroup's balance sheet and financial results to be artificially inflated;

(f) The Company's internal controls were inadequate to prevent the Company from improperly reporting its loan loss reserves; and

(g) The Company's capital base was not adequate enough to withstand the significant deterioration in the subprime and credit markets and, as a result, Citigroup would be forced to seek government funding in order to raise significant amounts of additional capital.

JURISDICTION AND VENUE

6. The claims asserted herein arise under and pursuant to §§11, 12(a)(2) and 15 of the 1933 Act (15 U.S.C. §§77k, 77l(a)(2) and 77o). In connection with the acts complained of, 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.

7. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §1331 and §22 of the 1933 Act.

8. Venue is proper in this District pursuant to 28 U.S.C. §1391(b), because Citigroup

is headquartered in this District, the underwriter defendants conduct business in this District and many of the acts and practices complained of herein occurred in substantial part in this District.

9. 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

10. Plaintiff Beverly Pellegrini, acquired the Preferred Stock of Citigroup pursuant or traceable to the Offering and has been damaged thereby.

11. Defendant Citigroup is a global, multibank holding financial services company that provides various financial services to customers in the United States and internationally. The Company's Global Consumer segment offers banking, lending, insurance, and investment services. Citigroup's Markets and Banking segment provides various investment and commercial banking services and products, which comprise investment banking and advisory services, debt and equity trading, institutional brokerage, foreign exchange, structured products, derivatives, and lending. Citigroup is based in New York, New York, and has branch offices in the United States and internationally.

12. Defendant Sir Win Bischoff ("Bischoff") has been Chairman of the Board of Citigroup since December 11, 2007. Previously, Bischoff served as interim-CEO of Citigroup from November 4, 2007 to December 11, 2007.

13. Defendant Vikram S. Pandit ("Pandit") has been Chief Executive Officer ("CEO") of Citigroup since December 11, 2007.

14. Defendant Gary L. Crittenden ("Crittenden") has served as Chief Financial Officer ("CFO") of Citigroup since March 2007.

15. Defendant Charles O. Prince, III ("Prince") was Chairman of the Board of

Citigroup from 2006 and CEO from 2003 until his resignation from the Company on November 2, 2007. Prince signed the false and misleading Registration Statement.

16. Defendant John C. Gerspach ("Gerspach") is, and at all relevant times was, Controller and Chief Accounting Officer of Citigroup. Gerspach signed the false and misleading Registration Statement.

17. Defendant Sallie L. Krawcheck ("Krawcheck") was CFO of Citigroup from 2004 until March 2007. In March 2007, Krawcheck assumed the positions of Chairman and CEO of Citigroup's Global Wealth Management Division. Defendant Krawcheck resigned from the Company in September 2008. Defendant Krawcheck signed the false and misleading Registration Statement.

18. Defendant C. Michael Armstrong ("Armstrong") is, and at all relevant times was, a director of Citigroup. Defendant Armstrong signed or authorized the signing of the false and misleading Registration Statement.

19. Defendant Alain J.P. Belda ("Belda") is, and at all relevant times was, a director of Citigroup. Defendant Belda signed or authorized the signing of the false and misleading Registration Statement.

20. Defendant George David ("David") was, at relevant times, a director of Citigroup. David signed the false and misleading Registration Statement.

21. Defendant Roberto Hernández Ramírez ("Ramírez") is, and at all relevant times was, a director of Citigroup. Defendant Ramírez signed or authorized the signing of the false and misleading Registration Statement.

22. Defendant Ann Dibble Jordan ("Jordan") was, at relevant times, a director of Citigroup. Jordan signed the false and misleading Registration Statement.

23. Defendant Klaus Kleinfeld ("Kleinfeld") was, at relevant times, a director of Citigroup. Kleinfeld signed the false and misleading Registration Statement.

24. Defendant Andrew N. Liveris ("Liveris") is, and at all relevant times was, a director of Citigroup. Defendant Liveris signed or authorized the signing of the false and misleading Registration Statement.

25. Defendant Kenneth T. Derr ("Derr") is, and at all relevant times was, a director of Citigroup. Defendant Derr signed or authorized the signing of the false and misleading Registration Statement.

26. Defendant John M. Deutch ("Deutch") is, and at all relevant times was, a director of Citigroup. Defendant Deutch signed or authorized the signing of the false and misleading Registration Statement.

27. Defendant Franklin A. Thomas ("Thomas") is, and at all relevant times was, a director of Citigroup. Defendant Thomas signed or authorized the signing of the false and misleading Registration Statement.

28. Defendant Saul Rosen ("Rosen") was, at relevant times, a trustee of Citigroup Capital XII and Citigroup Capital XIII. Rosen signed the false and misleading Registration Statement.

29. Defendant Judith Rodin ("Rodin") is, and at all relevant times was, a director of Citigroup. Defendant Rodin signed or authorized the signing of the false and misleading Registration Statement.

30. Defendant Richard D. Parsons ("Parsons") is, and at all relevant times was, a director of Citigroup. Defendant Parsons signed or authorized the signing of the false and misleading Registration Statement.

31. Defendant Anne M. Mulcahy ("Mulcahy") is, and at all relevant times was, a

director of Citigroup. Defendant Mulcahy signed or authorized the signing of the false and misleading Registration Statement.

32. Defendant Sanford I. Weill ("Weill") was, at all relevant times, Chairman Emeritus of the Company. Defendant Weill served as a director and Chairman of the Board of Citigroup from 1986 to April 2006, and as CEO of the Company from 1986 to 2002. Defendant Weill signed or authorized the signing of the false and misleading Registration Statement.

33. Defendant Robert E. Rubin ("Rubin") was, at all relevant times, a director of Citigroup until his resignation from the Company on January 9, 2009. Defendant Rubin signed or authorized the signing of the false and misleading Registration Statement.

34. The defendants referenced above in ¶¶12-33 are referred to herein as the "Individual Defendants."

35. Defendant Citigroup Global Markets Inc. ("CGMI") is the brokerage and securities arm of Citigroup. CGMI provides brokerage, investment banking and asset management services to businesses, governments, and individuals. CGMI was an underwriter for the Offering.

32. Defendant Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") provides capital markets services, investment banking and advisory services, wealth management, asset management, insurance, banking and related products and services on a global basis. Merrill Lynch was an underwriter for the Offering.

33. Defendant Morgan Stanley & Co. Incorporated ("Morgan Stanley") is a global financial services firm that, through its subsidiaries and affiliates, provides its products and services to customers, including corporations, governments, financial institutions and individuals. Morgan Stanley assists public and private corporations in raising funds in the capital markets (both equity and debt), as well as in providing strategic advisory services for mergers,

acquisitions and other types of financial transactions. Morgan Stanley was an underwriter for the Offering.

34. Defendant UBS Securities LLC ("UBS") is the U.S. investment banking and securities arm of UBS Investment Bank. UBS Investment Bank provides a range of financial products and services worldwide. UBS was an underwriter for the Offering.

35. Defendant Wachovia Capital Markets, LLC ("Wachovia Capital") is the corporate and investment banking side of brokerage firm Wachovia Securities (both companies are subsidiaries of banking giant Wachovia). Wachovia Capital provides financial and corporate advisory services, private capital, debt private placement, mergers and acquisitions advice, underwriting, and equity investing. It also offers real estate financing, risk management services, and structured products such as asset-backed and mortgage-backed securities. Wachovia Capital was an underwriter for the Offering.

36. Defendant Banc of America Securities LLC ("Banc of America") is the investment banking arm of Bank of America. Banc of America offers trading and brokerage services; debt and securities underwriting; debt and equity research; and advice on public offerings, leveraged buyouts, and mergers and acquisitions. Banc of America was an underwriter for the Offering.

37. Defendant RBC Capital Markets Corporation ("RBC") is the corporate and investment banking division of Royal Bank of Canada. RBC provides investment banking products and services to institutions, corporations, governments and high net worth clients. RBC was an underwriter for the Offering.

38. Defendant Deutsche Bank Securities Inc. ("Deutsche Bank") is the U.S. investment banking and securities arm of Deutsche Bank. Deutsche Bank provides investment banking products and services. Deutsche Bank acted as an underwriter for the Offering.

39. Defendant Barclays Capital Inc. ("Barclays") is the investment banking division

of Barclays PLC. Barclays provides large corporate, government and institutional clients with solutions to their financing and risk management needs. Barclays acted as an underwriter for the Offering.

40. Defendant Goldman, Sachs & Co. ("Goldman Sachs") is a leading global investment banking, securities and investment management firm that provides a wide range of services worldwide to a substantial and diversified client base that includes corporations, financial institutions, governments and high-net-worth individuals. Goldman Sachs acted as an underwriter for the Offering.

41. Defendant Credit Suisse Securities (USA) LLC ("Credit Suisse") operates as an investment bank in the United States. Its businesses include securities underwriting, sales and trading, investment banking, private equity, alternative assets, financial advisory services, investment research, and asset management. Credit Suisse acted as an underwriter for the Offering.

42. Defendant Wells Fargo Securities, LLC ("Wells Fargo") provides investment banking services in the United States. Wells Fargo offers capital markets access through public offerings, private placements, and debt offerings, which include new issue underwriting of high yield bonds and private placements, as well as market making, research, and equity trading. Wells Fargo also provides advisory services for mergers and acquisitions. Wells Fargo was an underwriter for the Offering.

43. Pursuant to the 1933 Act, the defendants referenced in ¶¶35-42 above are referred to herein as the "Underwriter Defendants."

44. The Underwriter Defendants are liable for the false and misleading statements in the Registration Statement. In connection with the Offering, the Underwriter Defendants drafted and disseminated the Registration Statement and were paid fees in connection therewith. The Underwriter Defendants' failure to conduct an adequate due diligence investigation was a

substantial factor leading to the harm complained of herein.

45. Defendant KPMG LLP ("KPMG") is an audit, tax and advisory firm that served as Citigroup's auditor during the relevant period and, with its consent, was named as having certified a portion of the Registration Statement, as well as the financial statements in Citigroup's 2007 Form 10-K.

CLASS ACTION ALLEGATIONS

46. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class consisting of all persons or entities who acquired shares of Citigroup Preferred Stock pursuant or traceable to the Company's false and misleading Registration Statement for its Offering and who were damaged thereby (the "Class"). Excluded from the Class are defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which defendants have or had a controlling interest.

47. The members of the Class are so numerous that joinder of all members is impracticable. Shares of Citigroup Preferred Stock were actively traded on the NYSE. While the exact number of Class members is unknown to plaintiff at this time and can only be ascertained through appropriate discovery, plaintiff believes that there are hundreds of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Citigroup or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

48. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by defendants' wrongful conduct in violation of federal law that is complained of herein.

49. Plaintiff will fairly and adequately protect the interests of the members of the Class

and has retained counsel competent and experienced in class and securities litigation.

50. 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 1933 Act was violated by defendants' acts as alleged herein;
- (b) whether statements made by defendants to the investing public in the Registration Statement misrepresented material facts about the business, operations and management of Citigroup; and
- (c) to what extent the members of the Class have sustained damages and the proper measure of damages.

51. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

THE FALSE AND DEFECTIVE REGISTRATION STATEMENT AND PROSPECTUS

52. On or about March 2, 2006, Citigroup filed with the SEC a Form S-3ASR Registration Statement for the Offering, using a "shelf" registration or continuous offering process. Under the Shelf, Citigroup would be permitted to sell securities described in various prospectus supplements in one or more offerings. These supplements would form part of the registration statement for each offering. The Registration Statement incorporated certain SEC filings:

As required by the Securities Act of 1933, Citigroup filed a registration statement relating to the securities offered by this prospectus with the Securities and Exchange Commission. This prospectus is a part of that registration

statement, which includes additional information.

Citigroup files annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document Citigroup files at the SEC's public reference room in Washington, D.C. You can also request copies of the documents, upon payment of a duplicating fee, by writing the Public Reference Section of the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. These SEC filings are also available to the public from the SEC's web site at <http://www.sec.gov>.

The SEC allows Citigroup to "incorporate by reference" the information it files with the SEC, which means that it can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus. Information that Citigroup files later with the SEC will automatically update information in this prospectus. In all cases, you should rely on the later information over different information included in this prospectus or the prospectus supplement. Citigroup incorporates by reference the documents listed below and any future filings made with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934:

- (a) Annual Report on Form 10-K for the year ended December 31, 2005;
- (b) Current Reports on Form 8-K filed on September 20, 2005, October 20, 2005, January 13, 2006, January 27, 2006, January 31, 2006, February 14, 2006, February 27, 2006 and February 28, 2006;
- (c) Definitive Proxy Statement on Schedule 14A filed on March 15, 2005; and
- (d) Registration Statement on Form 8-B, dated May 10, 1988, describing our common stock, including any amendments or reports filed for the purpose of updating such description.

All documents Citigroup files pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus and before the later of (1) the completion of the offering of the securities described in this prospectus and (2) the date the broker-dealer subsidiaries of Citigroup stop offering securities pursuant to this prospectus shall be incorporated by reference in this prospectus from the date of filing of such documents.

53. The Form S-3ASR also incorporated by reference subsequently filed prospectuses:

(2) That, for the purpose of determining any liability under the Securities Act of 1933, as amended, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

54. The Form S-3ASR also included assurances that the registrants would undertake

to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement.

55. On February 22, 2008 Citigroup filed its Form 10-K with the SEC for the 2007 fiscal year. This 10-K was incorporated by reference into the Registration Statement and Prospectus. The 10-K reported net income for 2007 of \$3.617 billion, assets of \$2.187 trillion, and stockholder equity of \$113,598 million. The 10-K also included the following statement by KPMG:

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM --
CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors and Stockholders Citigroup Inc.:

We have audited the accompanying consolidated balance sheets of Citigroup Inc. and subsidiaries (the "Company" or "Citigroup") as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2007, and the related consolidated balance sheets of Citibank, N.A. and subsidiaries as of December 31, 2007 and 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Citigroup as of December 31, 2007 and 2006, the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2007, and the financial position of Citibank, N.A. and subsidiaries as of December 31, 2007 and 2006, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, in 2007 the Company changed its methods of accounting for fair value measurements, the fair value option for financial assets and financial liabilities, uncertainty in income taxes and cash flows relating to income taxes generated by a leverage lease transaction, and in 2006 the Company changed its methods of accounting for stock-based compensation, certain hybrid financial instruments, servicing of financial assets and defined benefit pensions and other postretirement benefits, and in 2005 the Company changed its method of accounting for conditional asset retirement obligations associated with operating leases.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Citigroup's internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 22, 2008 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

56. On May 2, 2008, Citigroup filed its Form 10-Q for the first quarter 2008, ended March 31, 2008, which was incorporated by reference into the Registration Statement and Prospectus. The Form 10-Q contained the following statements:

FIRST QUARTER 2008 MANAGEMENT SUMMARY

Citigroup reported a \$5.1 billion net loss (\$1.02 per share) for the first quarter of 2008. The first quarter results were driven by two main factors: write-downs and losses related to the continued disruption in the fixed income markets and higher U.S. consumer credit costs. Results also include a \$661 million pretax gain on the sale of Redecard shares and a \$633 million increase to pretax earnings for Visa-related items.

* * *

During the first quarter of 2008, the Company recorded a net build of \$1.9 billion to its credit reserves. The build consisted of \$1.8 billion in Global Consumer (\$1.4 billion in U.S. Consumer and \$424 million in International Consumer) and \$148 million in Markets & Banking. The Global Consumer loss rate was 2.50%, an 81 basis-point increase from the first quarter of 2007. Corporate cash-basis loans increased \$1.5 billion from year-ago levels.

* * *

Our stockholders' equity and trust preferred securities were \$152.2 billion at March 31, 2008, reflecting preferred stock issuances of \$19.4 billion during the quarter. We distributed \$1.7 billion in common dividends to shareholders during the quarter. Citigroup maintained its "well-capitalized" position with a Tier 1 Capital Ratio of 7.74% at March 31, 2008.

* * *

EVENTS IN 2008

Write-Downs on Subprime-Related Direct Exposures

During the first quarter of 2008, the Company's S&B business recorded unrealized losses of \$6.0 billion pretax, net of hedges, on its subprime-related direct exposures.

The Company's remaining \$29.1 billion in U.S. subprime net direct exposure in S&B at March 31, 2008 consisted of (a) approximately \$22.7 billion of net exposures to the super senior tranches of collateralized debt obligations, which are collateralized by asset-backed securities, derivatives on assetbacked securities or both and (b) approximately \$6.4 billion of subprime-related exposures in its lending and structuring business. See "Exposure to U.S. Residential Real Estate" on page 22 for a further discussion of such exposures and the associated losses recorded during the first quarter of 2008.

Write-Downs on Highly Leveraged Loans and Financing Commitments

Due to the continued dislocation of the credit markets and the reduced market interest in higher risk/higher yield instruments that began during the second half of 2007, liquidity in the market for highly leveraged financings has declined significantly.

Citigroup's exposure to highly leveraged financings totaled \$38 billion at March 31, 2008 (\$21 billion in funded and \$17 billion in unfunded commitments). This compares to total exposure of \$43 billion (\$22 billion in funded and \$21 billion in unfunded commitments) at December 31, 2007. During the first quarter of 2008, the Company recorded a \$3.1 billion pretax write-down on these exposures, net of underwriting fees.

Since March 31, 2008, the Company transferred approximately \$12 billion of loans to third parties, of which \$8.5 billion relates to the highly leveraged loans and commitments. This structure allows Citigroup to lock in the sales proceeds and significantly reduces further downside price risk associated with these commitments. See "Highly Leveraged Financing Commitments" on page 56 for further discussion.

* * *

Write-Downs on Commercial Real Estate Exposures

S&B's commercial real estate exposure can be split into three categories: assets held at fair value, loans and commitments, and equity and other investments. For the assets held at fair value, (which includes a \$2 billion portfolio of available-for-sale securities), Citigroup recorded a \$600 million of fair value write-downs, net of hedges,

during the first quarter of 2008. See page 24 for a discussion of Citigroup's exposure to commercial real estate.

Credit Reserves

During the first quarter of 2008, the Company recorded a net build of \$1.9 billion to its credit reserves. The build consisted of \$1.8 billion in Global Consumer (\$1.4 billion in U.S. Consumer and \$424 million in International Consumer) and \$148 million in Markets & Banking.

The \$1.4 billion build in U.S. Consumer primarily reflected a weakening of leading credit indicators, including higher delinquencies on first and second mortgages, unsecured personal loans, credit cards and auto loans. Reserves also increased due to trends in the U.S. macro-economic environment, including the housing market downturn and rising unemployment rates, as well as portfolio growth.

The \$424 million build in International Consumer was primarily driven by Mexico and India cards and India consumer finance, as well as by acquisitions and portfolio growth.

The build of \$148 million in Markets & Banking primarily reflected an increase for specific counterparties.

* * *

Support of Structured Investment Vehicles (SIVs)

On December 13, 2007, the Company announced a commitment to provide support facilities to its Citi-advised Structured Investment Vehicles (SIVs) for the purpose of resolving the uncertainty regarding the SIVs' senior debt ratings. As a result of this commitment, the Company consolidated the SIVs' assets and liabilities onto Citigroup's Consolidated Balance Sheet.

On February 12, 2008, the Company finalized the terms of these support facilities, which take the form of a commitment to provide \$3.5 billion of mezzanine capital to the SIVs. During March 2008, five of the six facilities were drawn in the aggregate amount of \$3.4 billion.

For the first quarter of 2008, the Company recorded pretax trading account losses of \$212 million related to these consolidated SIVs. See page 54 for further discussion.

57. On or about May 8, 2008, Citigroup filed its Prospectus Supplement for the Offering, which forms part of the Registration Statement and which became effective on May 6, 2008, selling 80 million depositary shares of Preferred Stock at \$25 per share (with an

overallotment option granted to the underwriters to purchase up to an additional 12 million shares aggregate principal amount of Preferred Stock), for proceeds of nearly \$2 billion. The Prospectus stated:

The SEC allows Citigroup to “incorporate by reference” the information it files with the SEC, which means that it can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus. Information that Citigroup files later with the SEC will automatically update information in this prospectus. In all cases, you should rely on the later information over different information included in this prospectus or the prospectus supplement. Citigroup incorporates by reference...any future filings made with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934.

* * *

All documents Citigroup files pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus and before the later of (1) the completion of the offering of the securities described in this prospectus and (2) the date the broker-dealer subsidiaries of Citigroup stop offering securities pursuant to this prospectus shall be incorporated by reference in this prospectus from the date of filing of such documents.

58. The Prospectus omitted important information about Citigroup’s exposure to the credit markets and how the changes in the market were affecting Citigroup by the time of the Offering, including omitting information about how this exposure could affect the Company’s capital base.

59. The Registration Statement/Prospectus contained untrue statements of material fact or omitted to state other facts necessary to make the statements made therein not misleading and was not prepared in accordance with applicable SEC rules and regulations.

60. The statements above were false and/or misleading because the dislocation in the financial markets was then having an increasingly severe impact on Citigroup’s business, which significantly increased the risk level of the Preferred Stock.

61. By September 2008, Citigroup had reported over \$40 billion in write-downs for its troubled assets. Notwithstanding these huge write-downs, Citigroup’s securities, including the Preferred Stock, did not decline appreciably due to the Company’s assurances it was adequately

capitalized and had sufficient liquidity to absorb waves of loan defaults.

62. Over the course of the next several months, Citigroup's investment portfolio began to rapidly deteriorate as the uncertainty at Citigroup heightened and investors began to realize the extent of Citigroup's exposure to the troubled real estate and credit market.

63. On October 14, 2008, the media reported that Citigroup would receive a \$25 billion capital injection from the U.S. Treasury as part of the federal government's Troubled Asset Relief Program ("TARP").

64. On October 16, 2008, Citigroup reported its third quarter 2008 results, posting a \$2.82 billion quarterly loss, amid a sharp decline in revenue and an equally acute rise in bad loans. Citigroup wrote down an additional \$4.4 billion related to its troubled investment-banking assets bringing its total write-downs to \$45 billion. Citigroup further reported a spike in troubled loans in its foreign operations.

65. On November 19, 2008, Citigroup announced it would buy back the last \$17.4 billion in assets held by its structured investment vehicles, taking a \$1.1 billion write-down to reflect the assets' eroded values. Citigroup's shares plunged as investors feared that the TARP money would not be enough to cover the Company's growing exposure. This news caused Citigroup's common shares to plunge 23% on the Company's steepest percentage decline ever.

66. Thereafter, news began to emerge that Citigroup was considering the possibility of selling itself off or breaking itself up and selling off pieces of the Company.

67. On November 24, 2008, Citigroup announced that it had received an additional \$20 billion in assistance from the U.S. Government and that the government had agreed to provide guarantees against further Citigroup losses of \$306 billion, with the Company covering the first \$29 billion in losses.

68. On January 13, 2009, Citigroup announced plans to sell off its brokerage unit, Smith Barney, in a deal with Morgan Stanley. Smith Barney was the Company's crown jewel, as it was a stable business and the last remaining profitable major division at the Company.

69. On January 16, 2009, Citigroup reported its fourth quarter 2008 results, reporting a net loss of \$8.29 billion due in substantial part to additional write-downs and increases in the Company's loan loss reserves. The Company's associated press release stated:

Citigroup Inc. today reported a net loss for the 2008 fourth quarter of \$8.29 billion, or \$1.72 per share, based on 5,347 million shares outstanding. Revenues of \$5.6 billion were affected by write-downs and losses in Securities and Banking. Results also include \$6.1 billion in net credit losses and a \$6.0 billion net loan loss reserve build.

For the full year 2008, Citigroup reported a net loss of \$18.72 billion, or \$3.88 per share.

70. On the same day, *Bloomberg* also published an article entitled "Citigroup Reports \$8.3 Billion Loss, Splits Into Two," which stated in part:

Citigroup Inc. posted an \$8.29 billion loss, twice as much as analysts estimated, and said it will split in two under Chief Executive Officer Vikram Pandit's plan to rebuild a capital base eroded by the credit crisis.

* * *

A dwindling capital cushion and sinking stock price forced the 52-year-old Pandit to abandon Citigroup's decade-old strategy of providing investment advice and insurance alongside branch banking, stock underwriting and corporate lending. He's shedding units to free up capital and save the bank from insolvency.

* * *

Shares of Citigroup fell 33 cents, or 8.6 percent, to \$3.50 as of 4:15 p.m.

* * *

The bank's net loss of \$1.72 a share compared with a loss of \$9.8 billion, or \$1.99, a year earlier. Excluding a \$3.9 billion gain from the sale of a German consumer bank and other results from discontinued operations, the bank's loss was \$2.44 a share.

On that basis, the loss was more than twice as much as the \$1.08 average estimate of analysts in a Bloomberg survey.

* * *

Citigroup's credit ratings were placed on review for possible downgrade by Moody's Investors Service. The rating company cut the bank's credit rating by two grades last month.

* * *

The company's fourth-quarter loss included \$4.58 billion of writedowns on subprime mortgages and related bonds called collateralized debt obligations, \$991 million on commercial real-estate loans and investments, and \$594 million on loans to companies with low credit ratings.

* * *

It also included \$1.06 billion of writedowns on structured investment vehicles that had to be assumed after they collapsed in late 2007, and \$307 million on auctionrate preferred securities that Citigroup agreed to buy back from customers under a settlement with state regulators.

71. On this news, Citigroup's common stock dropped to \$3.49 per share on January 16, 2009, a 16-year low for Citigroup's stock. The Preferred Stock declined from \$9.19 on January 16, 2009 down to \$6.50 on January 20, 2009, the first full day of trading after the disclosure, a 29% drop.

72. The true facts which were omitted from the Registration Statement were:

(a) Citigroup's loan portfolio, including its commercial real estate loans and loans to those with low credit ratings, was impaired to a much larger extent than the Company had disclosed;

(b) Citigroup's collateralized debt obligations were impaired to a greater extent than the Company had disclosed;

(c) Citigroup's investments were impaired to a greater extent than the Company had disclosed;

(d) Citigroup's assets in its structured investment vehicles were impaired to a

greater extent than the Company had disclosed;

(e) Defendants failed to properly record losses for impaired assets, causing Citigroup's balance sheet and financial results to be artificially inflated;

(f) The Company's internal controls were inadequate to prevent the Company from improperly reporting its loan loss reserves; and

(g) The Company's capital base was not adequate enough to withstand the significant deterioration in the subprime and credit markets and, as a result, Citigroup would be forced to seek government funding in order to raise significant amounts of additional capital.

73. On February 27, 2009, Citigroup issued a press release entitled "Citi to Exchange Preferred Securities for Common, Increasing Tangible Common Equity to as Much as \$81 Billion." Therein, Citigroup announced that it would suspend dividends on its preferred and common shares, and would only "continue to pay the distribution on its Trust Preferred Securities and Enhanced Trust Preferred Securities at the current rates."

COUNT I

Violations of Section 11 of the 1933 Act Against All Defendants Except Defendants Bischoff, Pandit and Crittenden

74. Plaintiff repeats and realleges each and every allegation contained above. For purposes of this Count, plaintiff expressly excludes and disclaims any allegation that could be construed as alleging fraud or intentional or reckless misconduct, as this Count is based solely on claims of strict liability and/or negligence under the 1933 Act.

75. This Count is brought pursuant to §11 of the 1933 Act, 15 U.S.C. §77k, on behalf of the Class, against all defendants except defendants Bischoff, Pandit and Crittenden.

76. The Registration Statement was false and misleading, contained untrue statements of material facts, omitted to state other facts necessary to make the statements made not

misleading, and omitted to state material facts required to be stated therein.

77. Citigroup is the registrant for the Offering. As issuer of the shares, Citigroup is strictly liable to plaintiff and the Class for the misstatements and omissions.

78. The Individual Defendants named herein were responsible for the contents and dissemination of the Registration Statement. Each of the Individual Defendants named herein signed or authorized the signing of the Registration Statement or was identified in the Prospectus.

79. The Underwriter Defendants named herein were responsible for the contents and dissemination of the Registration Statement.

80. KPMG acted as Citigroup's auditor and was named by consent as having certified a part of the Registration Statement as well as Citigroup's financial results included in its 2007 Form 10-K.

81. None of the defendants named herein made a reasonable investigation or possessed reasonable grounds for the belief that the statements contained in the Registration Statement were true and without omissions of any material facts and were not misleading.

82. By reason of the conduct herein alleged, each defendant violated, and/or controlled a person who violated, §11 of the 1933 Act.

83. Plaintiff acquired Citigroup Preferred Stock pursuant and/or traceable to the Registration Statement for the Offering.

84. Plaintiff and the Class have sustained damages. At the time of their purchases of Citigroup Preferred Stock, plaintiff and other members of the Class were without knowledge of the facts concerning the wrongful conduct alleged herein and could not have reasonably discovered those facts prior to October 2008. Less than one year has elapsed from the time that plaintiff discovered or reasonably could have discovered the facts upon which this complaint is

based and the time plaintiff filed this complaint. Less than three years elapsed between the time that the securities upon which this Count is brought were offered to the public and the time plaintiff filed this complaint.

COUNT II

Violations of Section 12(a)(2) of the 1933 Act Against Defendant Citigroup and the Underwriter Defendants

85. Plaintiff repeats and realleges the allegations set forth above as if set forth fully herein. For purposes of this Count, plaintiff expressly excludes and disclaims any allegation that could be construed as alleging fraud or intentional or reckless misconduct, as this Count is based solely on claims of strict liability and/or negligence under the 1933 Act.

86. By means of the defective Prospectus, defendants assisted in the sale of shares of the Company's Preferred Stock to plaintiff and other members of the Class.

87. The Prospectus contained untrue statements of material fact, and concealed and failed to disclose material facts, as detailed above. Defendants owed plaintiff and the other members of the Class who purchased Citigroup Preferred Stock pursuant to the Prospectus the duty to make a reasonable and diligent investigation of the statements contained in the Prospectus to ensure that such statements were true and that there was no omission to state a material fact required to be stated in order to make the statements contained therein not misleading. Defendants, in the exercise of reasonable care, should have known of the misstatements and omissions contained in the Prospectus as set forth above.

88. Plaintiff did not know, nor in the exercise of reasonable diligence could have known, of the untruths and omissions contained in the Prospectus at the time plaintiff acquired the Company's Preferred Stock.

89. By reason of the conduct alleged herein, defendants violated §12(a)(2) of the 1933 Act. As a direct and proximate result of such violations, plaintiff and the other members of

the Class who purchased the Company's Preferred Stock pursuant to the Prospectus sustained substantial damages in connection with their purchases of Citigroup Preferred Stock. Accordingly, plaintiff and the other members of the Class who hold such shares have the right to rescind and recover the consideration paid for their shares, and hereby tender their shares to the defendants sued herein. Class members who have sold their shares seek damages to the extent permitted by law.

COUNT III

Violations of Section 15 of the 1933 Act Against the Individual Defendants

91. Plaintiff repeats and realleges each and every allegation contained above. For purposes of this Count, plaintiff expressly excludes and disclaims any allegation that could be construed as alleging fraud or intentional or reckless misconduct, as this Count is based solely on claims of strict liability and/or negligence under the 1933 Act.

92. This Count is brought pursuant to §15 of the 1933 Act against the Individual Defendants.

93. Each of the Individual Defendants was a control person of Citigroup by virtue of his position as a director, senior officer and/or major shareholder of Citigroup which allowed each of these defendants to exercise control over Citigroup and their operations.

94. Each of the Individual Defendants was a culpable participant in the violations of §11 of the 1933 Act as alleged in the Count above, based on their having signed or authorized the signing of the Registration Statement and having otherwise participated in the process which allowed the Offering to be successfully completed.

PRAYER FOR RELIEF

WHEREFORE, plaintiff prays for relief and judgment, as follows:

(A) Determining that this action is a proper class action and certifying plaintiff as a Class

representative:

(B) Awarding compensatory damages in favor of plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

(C) Awarding plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees;

(D) Awarding rescission or a rescissory measure of damages; and

(E) Such equitable/injunctive or other relief as deemed appropriate by the Court

JURY DEMAND

Plaintiff hereby demands a trial by jury.

DATED: April 9, 2009

Respectfully submitted,

GIRARD GIBBS LLP

By: 

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