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Meeting of the Citi Corporate Audit and Risk Management Committee

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Citigroup Inc. : Audit and Risk Management Committee: Corporate Audit and Risk Management
Committee

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**Meeting of the Corporate
Audit and Risk Management Committee
New York, New York
October 15, 2007**

A meeting of the Corporate Audit and Risk Management Committee (the "Committee") of Citigroup Inc. ("Citigroup"), a subcommittee of the Citigroup Audit and Risk Management Committee, was held at the offices of Citigroup at 399 Park Avenue in New York, New York on October 15, 2007 at 9:30 a.m.

In attendance for all or a portion of the meeting were the following members of the Committee: Messrs. Armstrong and Deutch (Chair) and Ms. Mulcahy; the following other members of the Board: Messrs. Belda, David, Hernandez, Ryan and Thomas; and the following individuals:

Mr. W. Arnold, Chief Financial Officer of Citigroup Alternative Investments,
Mr. D. Bushnell, Senior Risk Officer of Citigroup,
Mr. G. Crittenden, Chief Financial Officer of Citigroup,
Mr. R. Druskin, Chief Operating Officer of Citigroup,
Ms. E. Duke, Managing Director, Co-Head of Risk Management of Citigroup Markets and Banking,
Mr. J. Forese, Co-Chief Executive Officer of Citigroup Markets and Banking,
Mr. S. Freiberg, Chairman and Chief Executive Officer, Global Consumer Group – North America,
Mr. J. Gerspach, Controller and Chief Accounting Officer of Citigroup,
Mr. D. Goldberg, Associate General Counsel of Citigroup,
Mr. E. Greene, General Counsel, Citigroup Markets and Banking,
Mr. J. Havens, President and Chief Executive Officer of Citigroup Alternative Investments,
Mr. M. Helfer, General Counsel and Corporate Secretary of Citigroup,
Ms. B. Howard, Chief Auditor of Citigroup,
Mr. L. Kaden, Chief Administrative Officer of Citigroup,
Ms. M. Kim, General Counsel of Citigroup Alternative Investments,
Mr. M. Klein, Chairman and Co-Chief Executive Officer of Citigroup Markets and Banking,
Ms. M. Lago, Managing Director and Global Head of Compliance of Citigroup Markets and Banking,
Mr. K. Murray, Managing Director of ARR of Citigroup Markets and Banking and Citigroup Alternative Investments,
Mr. V. Pandit, Chairman and Chief Executive Officer of Institutional Clients Group of Citigroup,
Mr. C. Prince, Chairman and Chief Executive Officer of Citigroup,
Mr. W. Rhodes, Senior Vice Chairman of Citigroup and Chairman, Chief Executive Officer and President of Citibank, N.A.,
Mr. P. Ryan, Managing Director, Co-Head of Risk Management of Citigroup Markets and Banking,
Mr. C. Verron, Deputy Chief Financial Officer, Citigroup Markets and Banking,
Mr. S. Volk, Vice Chairman of Citigroup,
Mr. E. Watson, Global Head of Operations and Business Services, Citigroup Markets and Banking,
Mr. M. Wong, Chief Compliance Officer of Citigroup,
Mr. A. Anzevino, Partner, KPMG LLP,
Mr. M. Campanile, Partner, KPMG LLP, and
Mr. W. O'Mara, Partner, KPMG LLP.

Mr. Deutch called the meeting to order and noted for the record that a quorum was present.

APPROVAL OF MINUTES

The minutes of the April 16, 2007 meeting of the Committee were approved.

CITIGROUP ALTERNATIVE INVESTMENTS THIRD QUARTER FINANCIALS

Mr. Havens provided an overview of the third quarter financial results for Citigroup Alternative Investments ("CAI"). Among other items, he discussed the market environment for hedge funds, efforts to rationalize CAI product offerings and new staff in CAI, including a new Chief Administrative Officer. Mr. Havens also discussed structured investment vehicles and their impact on CAI's business.

Mr. Arnold referred to the material distributed prior to the meeting and provided a more detailed review of the financial results, including trends in net income, capital under management and proprietary revenue compared to the prior quarter and the prior year. He noted certain items with a significant adverse impact on financial results, including the value of Legg Mason shares and the performance of Tribeca. Mr. Arnold reviewed the strategic reasons for closing the Tribeca Fund, and he discussed the status of efforts to wind down Tribeca's operations. Mr. Arnold and Ms. Kim updated the Committee on the Brazil Fund, including an update on the Telecom Italia transaction.

The Committee and management discussed CAI's results, the business model and the use of structured investment vehicles. Mr. Pandit described the business strategy for CAI, including efforts to focus more on client services and lessen the use of proprietary capital.

EXTERNAL AUDITORS' THIRD QUARTER REVIEW UPDATE ON CITIGROUP ALTERNATIVE INVESTMENTS

Mr. O'Mara introduced Mr. Campanile, noting that he had replaced Rob Finn with respect to KPMG's coverage of CAI. Mr. Campanile reported that KPMG had substantially completed its third quarter review procedures relating to CAI. He said that KPMG had no material differences to report, but until the CEO/CFO certification process is complete and until the quarterly report on Form 10-Q had been prepared and KPMG had completed its requisite review procedures of third quarter results, its review is ongoing.

Among other issues, Mr. Campanile noted that significant items in KPMG's third quarter review included the valuation of Legg shares, developments in the Brazil Fund, the acquisition of Old Lane and the wind down of the Tribeca Fund.

ARR THIRD QUARTER REPORT FOR CAI

Mr. Murray referred the Committee to the material distributed prior to the meeting. He noted that ARR issued two rated reviews during the third quarter, and that each review was rated "Satisfactory" and that each had an "Effective" RCSA rating. He stated that ARR was monitoring the wind down of the Tribeca Fund and that there would be an at-close review of the Old Lane transaction in the fourth quarter. He reported that there were no major business issues outstanding.

RISK MANAGEMENT UPDATE FOR CAI

Mr. P. Ryan reported on significant third quarter risk issues for CAI. The Committee and management discussed risk and accounting issues related to structured investment vehicles. Mr. Arnold discussed the valuation of SIVs and the nature of the assets they hold. Mr. Havens stated that the underlying asset quality is high, that only a small portion of the assets are subprime mortgage related and that some SIV assets had been sold off since July.

Redacted for Privilege

The Committee and management also discussed the U.S. Treasury department's recent initiative involving a possible multi-party back-up liquidity facility ("master liquidity enhancement conduit") for SIVs and the underlying rationales, noting that this was a broad effort focused on systemic aspects of the asset backed commercial paper market designed to help restore investor confidence. Mr. Arnold noted that Citi has bought SIV commercial paper in a total amount of less than \$10 billion.

Mr. Kaden joined the meeting.

LEGAL AND COMPLIANCE UPDATE FOR CAI

Redacted for Privilege

Ms. Kim and Messrs. Havens, Arnold and Campanile left the meeting; Mmes. Duke and Lago, and Messrs. Gerspach, Greene, Klein, Murray, Verron and Watson joined the meeting.

CMB THIRD QUARTER FINANCIAL UPDATE

Mr. Verron reported on the CMB's third quarter financial results. He referred to the materials distributed prior to the meeting and he discussed trends in revenues, expenses and net income compared to the prior quarter and the prior year, noting the impact of certain significant items. He also discussed the impact of FAS 159 and fair value accounting, the write down on super senior collateralized debt obligations and the model used for valuation. Mr. Verron noted the increase in litigation reserves and the mark-down on certain Nikko investments. Mr. Klein, Mr. Verron and the Committee discussed the information described in the Company's pre-earnings announcement and the final numbers for the quarter.

Mr. Verron also discussed FAS 157, inventory classifications, price verification processes and trends in the size and value of the CMB's "Level 3" inventory. The Committee, Mr. Klein and Mr. Verron discussed the process and timing with respect to classifying Level 3 inventory.

BRIEFING ON UNVERIFIED INVENTORY AND BUSINESS UPDATES

The Committee determined that it would defer until a subsequent meeting the briefing on unverified inventory and the business updates originally scheduled on the agenda.

THIRD QUARTER CMB UPDATES

The third quarter updates for CMB were discussed at the Citigroup Audit Committee meeting or, as appropriate, based upon the materials distributed to the Committee prior to the meeting.

Mmes. Duke and Lago, and Messrs. Anzevino, Greene, Murray, Ryan, Verron and Watson left the meeting; Messrs. David, Hernandez, Prince, Ryan, Thomas, Crittenden, Druskin, Volk, Freiberg, and Rhodes joined the meeting.

UPDATE ON CREDIT MARKETS AND LOAN LOSS RESERVES

Mr. Crittenden, Mr. Bushnell and Mr. Klein provided a briefing and responded to Committee member questions regarding the impact of credit market events on the Company's results and related loan loss reserve developments during the third quarter.

Mr. Crittenden referred to the material provided to the Committee members and he reviewed the Company's pre-tax income compared to the prior year, including various factors that had an adverse impact on the results. Among other items, he discussed super senior collateralized debt obligations, accounting treatment for Gray Zone issues in Japan and the evaluation of emergent losses. In response to a question from the Committee, Mr. Crittenden stated that the current amount of Gray Zone reserves (both credit and refund related) was appropriate, and that he was confident in the accounting treatment. Mr. Crittenden also discussed the material describing various metrics about how the Company fared during this period with respect to its competitors. The Committee, Mr. Crittenden and Mr. Bushnell discussed changes in loan loss reserves and the impact of international chargeoffs. Mr. Crittenden discussed various impacts on the Company as result of the issues in the credit markets, including among other items, the decline in CDO/CLO origination volumes, the decline in capital ratios, increased liquidity needs and related investor and analyst reactions. He also described the Company's plans to address these issues, noting that he would provide more detail later in the briefing.

Mr. Crittenden proceeded to provide a more detailed review of the impact changes in the credit markets had on the CMB and various internal factors that contributed to those results. Among other issues, he discussed the growth in CDO and leveraged financing activity and the decentralized nature of the treasury function, noting that balance sheet limits were exceeded in certain instances. Mr. Crittenden and Mr. Bushnell also discussed the internal processes for evaluating decisions about credit risk exposures, noting that apparently unlike some of the Company's competitors, management had made a judgment decision not to hedge certain risks. The Committee and management discussed various issues including the role and structure of independent risk, hedging policies and the need to ensure coordination between the risk and accounting function with respect to FAS 157/159 and fair value issues.

Mr. Klein discussed the revenue trends over the last several years related to structured credit and leveraged finance transactions. He also discussed the underlying economics of these transactions, including the cycle of activity, the relevant participants and how they make money, and the expectations of the market. Mr. Crittenden discussed a chart illustrating that while CMB balance sheet limits were exceeded, the risk limits had not been exceeded. The Committee and Mr. Crittenden discussed "Level 3" assets, and Mr. Crittenden stated that management would provide the Committee with more a detailed report on Level 3 assets at a subsequent meeting.

Mr. Klein, Mr. Crittenden and Mr. Bushnell discussed the various lessons learned and the corrective actions that management had undertaken. Mr. Klein and Mr. Crittenden described efforts to renegotiate the terms of leveraged finance transactions, reorganize the credit trading group, centralize the treasury function and develop a revised liquidity plan.

Mr. David left the meeting.

Mr. Bushnell described mechanisms being developed to more effectively aggregate risk across Citi business segments, structural and procedural changes to enhance independent risk management practices, and the use of management judgment to augment models in establishing emergent losses in the consumer business. The Committee and Mr. Bushnell discussed the history of the independent risk function, the corrective actions taken in prior years and the continued importance of ensuring risk was aggregated effectively to prevent similar issues in the future.

Mr. Crittenden briefed the Committee on structured investment vehicles and related funding issues, describing various short term activities that were underway and several potential long term solutions.

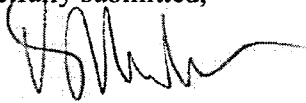
EXECUTIVE SESSION

The members of the Committee met in executive session.

* * * *

Upon motion duly made, seconded and approved, the meeting was adjourned.

Respectfully submitted,



Michael S. Helfer
Committee Secretary