SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

08601030

ROBECO-SAGE CAPITAL, L.P., ROBECO-SAGE CAPITAL INTERNATIONAL, LTD., ROBECO-SAGE CAPITAL INTERNATIONAL II, LTD., ROBECO-SAGE TRITON FUND, L.L.C., RIVER ROAD FUND, LTD., ROBECO-SAGE MULTI-STRATEGY FUND, L.L.C., and OLD FIELD FUND, L.L.C.,

Plaintiffs,

-against-

CITIGROUP ALTERNATIVE INVESTMENTS LLC, CORPORATE SPECIAL OPPORTUNITIES LTD., CSO PARTNERS LTD., CSO LTD., CSO US LTD., JOHN HAVENS, and JOHN PICKETT,

Defendants.

Index No.

Date Purchased _____

**Plaintiff designates New York County as the place of trial**

**The basis of venue is Plaintiff Robeco-Sage Multi-Strategy Fund, L.L.C.'s Principal Place of Business**

**SUMMONS**

**Plaintiff Robeco-Sage Multi-Strategy Fund, L.L.C. Has Its Principal Place of Business at: 909 3rd Avenue, New York, NY 10022**

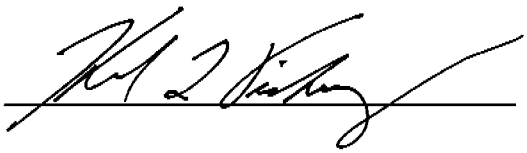
TO THE ABOVE-NAMED DEFENDANTS:

**YOU ARE HEREBY SUMMONED** and required to serve upon plaintiffs' attorneys an answer to the complaint in this action within 20 days after the service of this summons, exclusive of the date of the summons, or within 30 days after service is complete if this summons is not personally delivered to you within the State of New York. In case of your failure to answer or appear, judgment will be taken against you by default for the relief demanded in the complaint.

Plaintiffs designate New York County as the place of trial. The basis of venue designated is that Plaintiff Robeco-Sage Multi-Strategy Fund, L.L.C. has its principal place of business in New York County.

Dated: New York, New York
April 8, 2008

BOIES, SCHILLER & FLEXNER LLP

By: 

Steven I. Froot
Howard L. Vickery
Marilyn Kunstler
Jonathan Davenport
575 Lexington Avenue
New York, New York 10022
Telephone: (212) 446-2300

Attorneys for Plaintiffs

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

| | | |
|---|---|---|
| ROBECO-SAGE CAPITAL, L.P., ROBECO-SAGE CAPITAL INTERNATIONAL, LTD., ROBECO-SAGE CAPITAL INTERNATIONAL II, LTD., ROBECO-SAGE TRITON FUND, L.L.C., RIVER ROAD FUND, LTD., ROBECO-SAGE MULTI-STRATEGY FUND, L.L.C., and OLD FIELD FUND, L.L.C., | : | |
| Plaintiffs, | : | Index No.: |
| – against – | : | **COMPLAINT** |
| CITIGROUP ALTERNATIVE INVESTMENTS LLC, CORPORATE SPECIAL OPPORTUNITIES LTD., CSO PARTNERS LTD., CSO LTD., CSO US LTD, JOHN HAVENS, and JOHN PICKETT, | : | |
| Defendants. | : | |

Plaintiffs Robeco-Sage Capital, L.P., Robeco-Sage Capital International, Ltd., Robeco-Sage Capital International II, Ltd., Robeco-Sage Triton Fund, L.L.C., River Road Fund, Ltd., Robeco-Sage Multi-Strategy Fund, L.L.C., and Old Field Fund, L.L.C. by their attorneys Boies, Schiller & Flexner LLP, for their complaint against defendants allege as follows:

## NATURE OF THE ACTION

1. This is an action brought by plaintiffs as institutional investors in hedge funds sponsored by Citigroup Alternative Investments L.L.C. ("CAI") and managed by

CSO Partners Ltd. ("CPL"), a wholly-owned CAI subsidiary, to recover damages resulting from a disastrous investment in the debt of ProSiebenSat 1 Media AG ("ProSieben") made in violation of applicable trading restrictions. CAI represented to plaintiffs that it would monitor the risk management of the funds in question, known as Corporate Special Opportunities Ltd., CSO Ltd., and CSO U.S. Ltd. (collectively "CSO"), but inexcusably failed to do so. The ProSieben trade significantly increased the leverage of the fund from five to seven and a half times the net asset value of the fund, thereby dramatically increasing the downside risk.

2. Defendant John Pickett, CSO's portfolio manager and a Citigroup employee, concealed the trade from CSO's compliance personnel and from CAI. If CAI had had proper controls in place, this would have been impossible. When CAI belatedly learned of the trade, it delayed notifying plaintiffs of the trade and continued to disseminate false and misleading portfolio reports. In reliance upon repeated misrepresentations and omissions of material facts made by defendants in response to specific questions by plaintiffs concerning the financial status of the CSO portfolio, plaintiffs decided not to give notice to redeem their investments in CSO by September 30, 2007, the notice deadline two months in advance of the November 30, 2007, redemption date. Plaintiffs seek to require the defendants to make them whole for the damages they have incurred resulting from the unauthorized ProSieben trade, defendants' fraudulent statements, and their missed opportunity to exit CSO at the end of November, 2007.

## THE PARTIES

3. Plaintiff Robeco-Sage Capital, L.P., is a limited partnership organized under Delaware law with its principal place of business in the city of White Plains in the County of Westchester, New York . Robeco-Sage Capital is a fund that invests in hedge funds. Robeco Investment Management Inc. ("RIM") acts as the investment manager for Robeco-Sage Capital and for the other plaintiffs in this action.

4. Plaintiff Robeco-Sage Multi-Strategy Fund, L.L.C. is a Delaware limited liability company with its principal place of business in the City and County of New York. Robeco-Sage Multi-Strategy Fund L.L.C. is a fund that invests in other hedge funds.

5. Plaintiff Robeco-Sage Capital International, Ltd. is a limited liability company organized under the laws of the Cayman Islands. Robeco-Sage Capital International, Ltd. is a fund that invests in other hedge funds.

6. Plaintiff Robeco-Sage Capital International II, Ltd. is a limited liability company organized under the laws of the Cayman Islands. Robeco-Sage Capital International II is a fund that invests in other hedge funds.

7. Plaintiff Robeco-Sage Triton Fund L.L.C. ("Triton") is a Delaware limited liability company with its principal place of business in the city of White Plains in the County of Westchester, New York. Robeco-Sage Triton Fund L.L.C. is a fund that invests in other hedge funds.

8. Plaintiff River Road Fund Ltd. ("River Road") is a limited liability company organized under the laws of the Cayman Islands. River Road Fund Ltd. is a fund that invests in other hedge funds.

9. Plaintiff Old Field Fund, LLC is a Delaware limited liability company with its principal place of business in New York. Old Field Fund, LLC is a fund that invests in other hedge funds.

10. Defendant Citigroup Alternative Investments LLC ("CAI") is a Delaware limited liability company with its principal place of business at 731 Lexington Avenue, New York, New York. CAI is an indirect wholly-owned subsidiary of Citigroup, Inc.

11. Defendant Corporate Special Opportunities Ltd. (the "Master Fund") is an exempted limited liability company organized under Cayman law on February 6, 2004. It is licensed as a mutual fund by the Cayman Islands Monetary Authority. The Master Fund is the investment vehicle of Citigroup's Corporate Special Opportunities investment business unit.

12. Defendant CSO Partners Limited ("CPL") is a limited liability company organized under English law with its principal place of business in London. CPL is the investment manager of the Master Fund and is a registered as an investment adviser with the Securities and Exchange Commission and the U.K. Financial Services Authority. CPL is a wholly-owned subsidiary of CAI and indirectly of Citigroup, Inc. In its literature, CAI describes CPL as part of the CSO Opportunities Group, an integral part of CAI.

13. Defendant CSO US Ltd. ("CSO US") is an exempted limited liability company organized under the laws of the Cayman Islands and is a registered mutual fund with the Cayman Islands Monetary Authority. CSO US Ltd. is a feeder fund for the Master Fund and markets its services to U.S. taxable investors and certain non-U.S. investors. CPL is the investment manager for CSO US Ltd.

14. Defendant CSO Ltd. ("CSO Ltd.") is an exempted limited liability company organized under the laws of the Cayman Islands and is a registered mutual fund with the Cayman Islands Monetary Authority. CSO Ltd. serves as a feeder fund for the Master Fund. CPL is the investment manager for CSO Ltd.

15. At all times relevant to this complaint, defendant John Pickett was the chief executive officer of CPL and the portfolio manager for the Master Fund. The Private Placement Memoranda ("PPM") for the CSO funds designate Pickett as a key man and provide for special redemption policies if Pickett leaves CPL's employ or is incapacitated. Pickett resigned from CPL on or about December 12, 2007.

16. Defendant John Havens was appointed the president and chief executive officer of CAI in April 2007. Pickett reported to Havens at all relevant times herein.

**JURISDICTION AND VENUE**

17. The Court has personal jurisdiction over the defendants pursuant to C.P.L.R. §§ 301 and 302. Defendant CAI is doing business in New York. All the Defendants transacted business in New York and contracted to provide services to plaintiffs in New York. Defendants committed tortious acts within the State and tortious acts without the State that caused injury to the plaintiffs in New York and: (1) regularly do or solicit business, engage in a persistent course of conduct, and derive substantial revenue from services rendered in New York; or (2) expect or should reasonably expect their acts to have consequences in this State and derive substantial revenue from international commerce.

18. Venue is proper in New York County pursuant to C.P.L.R. §503.

## FACTUAL ALLEGATIONS

### A. CSO's Business

19. CSO is part of Corporate Special Opportunities, a Citigroup investment business established in 1999 to manage Citigroup's proprietary capital in investment markets. In 2004, CSO was created so that Citigroup's customers could invest with Citigroup in a common investment vehicle under the auspices of Corporate Special Opportunities. CSO is one of 16 investment centers within CAI.

20. CSO's stated investment strategy is to invest principally in stressed, distressed and special situations debt obligations as well as investment grade debt and equity of corporate issuers predominately in the United States, the United Kingdom, and the European Union.

21. CSO financed its investment strategy through credit facilities or total return swaps with J.P. Morgan Chase and Dresdner Bank. The ability to finance the transactions enabled CSO to leverage its investments. Leverage is a double-edged sword: the greater the leverage, the higher the rewards and the risk. On information and belief, CAI set internal limits on CSO leverage. At all times relevant to the complaint, the extent to which CSO was leveraged was critically important to plaintiffs, and they closely monitored CSO's leverage ratios in making and retaining investments in CSO.

22. When CSO was opened to the public in August 2004, Citigroup invested fifty million dollars in CSO Citigroup Ltd., a feeder fund for the Master Fund, and an additional forty million dollars in CSO US Ltd. On information and belief, Citigroup owns approximately twenty percent of the Master Fund. Citigroup's wealth management division holds thirty-five percent of the Master Fund on behalf of private

clients of its wealth management division. Forty percent of the Master Fund is owned by institutional investors, including plaintiffs and Met Life. Employees of CPL own approximately five percent of the Master Fund.

**B. Plaintiffs Invest in the CSO Funds**

23. Commencing in or about May 2005, plaintiffs invested in CSO in reliance on the PPMs and marketing materials distributed by CAI (a schedule, prepared by plaintiffs, of their investments is appended to the Complaint as Exhibit 1). Plaintiffs continued to make regular investments in CSO until July 2007. The sponsorship of Citigroup was a decisive factor in plaintiffs' decision to invest and to continue investing in CSO.

24. The Plaintiffs conducted a thorough due diligence review of the Master Fund and CPL before and after investing in CSO. The reviews included meetings with CPL personnel to discuss risk management and back office procedures. Thus, CAI was on notice that risk management and compliance procedures were important factors that plaintiffs considered in deciding whether to invest and remain invested in CSO.

25. Plaintiffs invested through CSO US and CSO Ltd., which served as conduits into the Master Fund. Substantially all investments made in CSO US and CSO Ltd. were automatically re-invested in the Master Fund. As of November 30, 2006, CSO Ltd. and CSO US respectively had approximately a thirty-five percent and forty-four percent ownership interest in the Master Fund.

26. Plaintiffs invested in CSO on terms that permitted them to redeem their investments on 60 days' notice in advance of a quarterly "Dealing Day." If aggregate redemption requests for a given Dealing Day exceeded fifteen percent of the net

aggregate value of CSO US or CSO Ltd. as the case may be, the fund in question had the right to reduce the redemption requests on a pro rata basis so that the fifteen percent limit would not be exceeded. Any excess requests would be deferred to the next Dealing Day.

27. In late July, 2007, CSO attempted to change the liquidity terms so that new investments could only be redeemed on an annual basis after August 1, 2007. Plaintiffs objected to this change and obtained express assurances that they would continue to be permitted to redeem quarterly.

28. CPL charges CSO US and CSO Ltd. monthly investment fees equal to 1/12 of two percent of the net assets under management and performance fees equal to twenty percent of the appreciation in the value of the shares during the prior quarter as calculated in accordance with the PPMs. The Master Fund pays no investment or performance fees to CPL.

29. Subscriptions in CSO US and CSO Ltd. are paid through bank accounts maintained by GlobeOp Financial Services (Cayman) Limited ("GlobeOp") at JP Morgan Chase in New York for the benefit of CSO US and CSO Ltd. GlobeOp acts as the administrator and registrar for CSO. On information and belief, GlobeOp provides services to CSO from its offices in Harrison, New York and New York, New York.

**C. The CSO Funds Are CAI's Alter Egos and Instrumentalities**

30. On information and belief, CPL and CSO were the alter egos and/or instrumentalities of CAI at all times relevant to this complaint. CAI had the right to control and did control CSO and its investment strategy on an everyday basis.

31. CAI's marketing materials for CSO in June 2004 represented that Pickett worked under the supervision of James Zelter, the chief investment officer of CAI (a

copy of these materials is appended hereto as Exhibit 2). The materials further represented that "CAI Head of Risk Management monitors portfolio risk parameters on an ongoing basis" and that "CAI European Compliance Officer monitors fiduciary and regulatory matters. In addition, a Citigroup Officers Committee has oversight responsibility." Plaintiffs and RIM relied on these representations in making the decision to invest and remain invested in CSO.

32. Colin Smith, an employee of CAI, represented in a telephone conference with Michael Murphy, Director of Research and Managing Director of the Robeco-Sage Division of RIM ("Robeco-Sage"), Paul Platkin, Managing Director and Chief Investment Officer of Robeco-Sage, and Darren Wolf, Investment Analyst and Vice President of Robeco-Sage on March 29, 2005 that: (1) he was the CAI employee responsible for risk management of CSO, (2) CAI provides complete portfolio oversight of CSO, (3) he had the authority to direct Pickett to bring positions down, (3) he reviewed the CSO portfolio every two or three days, (4) he monitored the operational risks at CSO, (5) Pickett could not leverage CSO's investments by more than 130% of net asset value without consulting with Smith or Zeltner, (6) CAI's internal guidelines required that CSO maintain liquidity of not less than twenty-five percent, (7) the top three positions in the CSO portfolio would not exceed forty percent of the total positions, and (8) CAI would make CSO or the investors whole for any losses resulting from Pickett's failure to do as CAI instructed, while the customer would benefit from any gains.

33. CAI represented that it would invest in CSO, provide oversight of risk limits, and handle back office activities for CSO. The CSO Standard Due Diligence Questionnaire as of April 30, 2007 distributed by CAI and CSO, for example, states:

"[a]s an investment business within Citigroup Alternative Investments, the CSO team also relies upon various staff functions located in New York and London: legal, compliance, IT, marketing, product development, and human resources."

34. CAI represented to plaintiffs that CPL's management activities were conducted by the CSO investment team which, in turn, was part of CAI. CAI's marketing materials represented that "CSO is essentially an investment department within Citigroup Alternative Investments. John Pickett retains overall responsibility for CSO as a Citigroup investment business."

35. CAI and the Master Fund further represented: "While the Fund is not governed by a formal restriction on leverage, it is monitored by the Citigroup Alternative Investments Risk Management, which imposes numerous internal risk limits."

36. The senior managers of the Master Fund were employees of CAI and CPL. Pickett's business card gives his title as "managing director" of the Citigroup "Corporate Special Opportunities Group." The business card of Michael Micko, Pickett's assistant and replacement as portfolio manager of the Master Fund, states that he is a managing director of CAI as well as CPL. Micko currently reports to Jonathan Dorfman, the co-head of CAI's Global Fixed Income group.

37. CAI's general counsel, Millie Kim, has served as the general counsel of CPL from February 2006 onwards.

38. Citigroup Investment Services, a Citigroup affiliate, owns non-redeemable Founders Shares in the CSO companies with preferential voting rights. In the event CPL were to give notice of termination of the Investment Management Agreement with the Master Fund for any reason, including the departure of Pickett, Citigroup Investment

Services has the power to convene a general meeting of the funds at which it would have a sufficient number of votes to pass a resolution to wind up the fund in question. As the parent company of CPL, CAI has the power to dictate whether and when CPL could terminate the Investment Management Agreement.

39. The directors of the Master Fund are also the directors of CSO Ltd., CSO Citigroup Ltd. and CSO US Ltd. Scott Somerville, Dwight Dubé and Paola Lazzarotto are employees of Maples Finance Limited and nominal directors of CSO appointed by CAI. On information and belief, they play no meaningful role in the day to day oversight or direction of CSO.

### D. Pickett Violates Trading Limits by Secretly Subscribing for a Share of a Syndicated Debt Offering to ProSieben

40. On information and belief, in or about May 2007, Pickett sent a binding Indication of Interest by fax to the Managing Lead Arrangers of a syndicated loan to ProSieben, offering to purchase €512 million of a €7.2 billion loan. ProSieben is a leading broadcast company in Germany. The allocation Pickett requested was two to three times the total net asset value of the Master Fund. On information and belief, Pickett did not provide a copy of the Indication of Interest to the back office of CPL or to CAI as is required by CAI operating procedures and regulations.

41. On information and belief, Pickett did not enter the trade in a pipeline report showing the timing and amount of the transactions in process and investments on the books that would be maturing, sold or otherwise disposed of.

42. On information and belief, the Managing Lead Arrangers of the ProSieben loan promptly sent a confirmation of the Indication of Interest to CPL. On information

and belief, the back office of CPL and the risk managers of CAI failed to record the confirmation as the result of a lack of internal controls.

43. On information and belief, the size of the ProSieben order exceeded Citigroup's internal trading limit on leverage of six times net asset value.

44. On or about June 29, 2007, the Managing Lead Arrangers sent a notice to CPL that the Master Fund had been allocated a subscription of €512 million. However, despite again being put on notice of the trade, CPL and CAI failed to have policies and procedures in place that would have ensured that the confirmation was contemporaneously recorded in the books and records of CSO, and the confirmation again went unrecorded.

45. If defendants had followed industry practices and CAI's and Citigroup's internal rules and regulations, all commitments made on behalf of the Master Fund would have been contemporaneously recorded on the books and records of the Master Fund and would have been subject to CAI's and Citigroup's risk assessment. The correct figures would then have been reflected in financial statements, management reports, and risk exposure reports periodically sent to investors. Moreover, trading functions and back office functions would have been segregated to minimize the risk that trades or investments could be concealed or fabricated.

46. On information and belief, Pickett caused CSO on other occasions to exceed its trading limits, but he was able to reduce its position after the fact. CAI and Citigroup's compliance officers were aware of these violations of the trading limits, but failed to disclose the information to plaintiffs or take action to prevent future violations of the trading limits. On information and belief, CAI had actual knowledge that Pickett had

exceeded trading limits in making an investment in Pagesjaunes, but failed to discipline Pickett or put controls in place that would detect a violation of the trading limits.

47. On information and belief, Pickett had not arranged financing for the ProSieben investment in advance of the trade, a cardinal violation of industry practices. The ProSieben transaction was a huge commitment for the Master Fund, in excess of the then net asset value of the Master Fund. The Master Fund did not have the cash on hand to meet the ProSieben commitment, and on information and belief, J.P. Morgan refused to finance the transaction after the fact. Without financing, the Master Fund would have been insolvent if called upon to honor the ProSieben commitment and/or would have had to sell other assets at distress prices in order to meet its commitments to the ProSieben syndicate. Moreover, even if financing were available, the transaction would increase the Master Fund's leverage from approximately 5 times to 7.5 times net asset value, thereby amplifying the downside risk well over any previously disclosed levels.

48. After receiving the confirmation, but without advising his superiors, Pickett unilaterally refused to honor the allocation notice on the pretext that the banks handling the syndication had materially changed the terms of the transaction. The Master Fund was the only investor out of some eighty-eight investors that refused to take up its allocation.

49. On information and belief, Pickett caused the Master Fund to dishonor its commitment because liquidity in the credit market had dried up in July 2007. As a result, Pickett was unable to finance the loan and was also unable to lay-off or sell a portion of the allocation to bring the transaction within the Master Fund's trading limits.

50. In September 2007, Morgan Stanley, one of the Managing Lead Arrangers, called defendant Havens to complain about CSO's refusal to honor its commitment to purchase the ProSieben debt. Morgan Stanley threatened litigation if CSO and/or CAI did not accept the allocation. On information and belief, CAI learned of the ProSieben commitment well in advance of the September 30, 2007 deadline for giving notices of redemption and had ample time to notify plaintiffs so that they could exercise their right of redemption prior to the deadline. CAI failed to disclose any of these events to the plaintiffs at the time even though it knew or should have known that these developments would have been material to plaintiffs in making a decision to redeem.

51. On or about October 26, 2007, CAI received a legal opinion that under U.K. law CSO was obligated to lend to ProSieben.

52. The CSO exposure report as of October 31, 2007 omitted the ProSieben investment and falsely represented that leverage had declined to 5.36 times net asset value.

53. From September to early December, 2007, defendants negotiated secretly with Managing Lead Arrangers to settle the dispute over the ProSieben syndicated loan. Citigroup did not notify the investors in CSO of the existence of the dispute or include the ProSieben transaction in the financial and risk assessment reports distributed to the plaintiffs.

54. On information and belief, Citigroup and the Managing Lead Arrangers agreed to settle the dispute during the first week of December before any disclosure of the ProSieben transaction to investors. Citigroup agreed to purchase €512 million

(approximately $746 million) of the ProSieben debt at face value, which was then trading at eighty-six to ninety-three percent of face value. Defendants also agreed to pay the Managing Lead Arrangers' legal fees. This action saddled CSO with a loss of some $62.4 million as of November 30, 2007. Defendants did not notify plaintiffs of the settlement until December 14, 2007.

55. Defendants did not provide an accurate and complete schedule of the investments in the Master Fund portfolio (including the ProSieben loan for the first time) to plaintiffs until December 13, 2007.

56. On December 14, 2007, CPL finally sent a letter to investors that informed them that CSO had been involved in a dispute with the Managing Lead Arrangers in connection with the ProSieben loan, but did not disclose that Pickett had exceeded his trading limits and previously concealed the existence of the trade. The letter merely stated that Pickett had resigned and his departure triggered a "Key Man Event." Under the terms of the PPMs, investors had thirty days to designate a specific number of shares as Key Man Event redemption shares. Subsequently, Richard Johnson, a managing director at CAI, informed plaintiffs that the period of time to designate Key Man Redemption shares had been extended to ninety days.

57. The December 14, 2007 letter also notified plaintiffs that the value of CSO had declined by 12.6% in November taking into account the ProSieben transaction. Ten percent out of the 12.6% loss was attributable to the ProSieben transaction.

58. On or after December 19, 2007, CSO issued a monthly performance report for November 2007 which reflected a "reserve taken as of the November in anticipation of settling a syndicated loan trade dispute." This was the first time that the ProSieben

transaction was reflected on the monthly performance reports. Even if defendants disputed their obligation to participate in the ProSieben syndicated loan, defendants were required to disclose the trade as a contingent liability in the risk exposure reports, monthly performance reports, and representations to plaintiffs, subsequent to the date that the dispute arose on or about June 29, 2007 when the Managing Lead Arrangers gave notice to CPL of the Master Fund's allocation of the ProSieben syndicated loan.

59. Promptly upon receiving CAI's belated disclosure of the true facts, Plaintiffs put in redemption notices before the end of December 2007 for their entire stakes in CSO.

60. The free fall of the ProSieben investment continued in 2008. In January 2008, the value of the Master Fund declined by another thirty-one percent.

61. On information and belief, in January and February, 2008, Citigroup/CAI made equity investments totaling $160 million in CSO. The terms and conditions of these investments have not been disclosed to plaintiffs.

62. On or about January 25, 2008, the boards of directors of CSO suspended redemptions indefinitely at the recommendation of CPL. CPL send out a separate notice on the same date stating that aggregate redemption requests had been received representing more than thirty percent of the share capital of the Master Fund. CPL reaffirmed its belief in the "inherent good quality of the Master Fund's assets."

63. On or about February 27, 2008, Citigroup/CAI made an unconditional payment of $159 million to CSO to compensate investors for market losses in January 2008. On information and belief, defendants settled the ProSieben transaction on or about February 28, 2008. On information and belief, Citigroup/CAI purchased at

undisclosed "market rates" $800 million of assets from CSO as well as approximately $200 million of the ProSieben loans. The details of these transactions have not been disclosed to plaintiffs.

### E. Plaintiffs Did Not Redeem At the November 30 Dealing Date in Reliance on False Information Provided by Defendants

64. Leverage, financing, and redemptions were key factors in plaintiffs' decision to invest in CSO and to remain in CSO in September 2007. Plaintiffs were vigilant in tracking the state of their investments in CSO. Pickett and CAI repeatedly misrepresented the financial condition of CSO to plaintiffs.

65. On July 17, 2007, Paul Platkin, RIM's chief investment officer, and Nathan Peters, Investment Analyst and Vice President of Robeco-Sage, met with Pickett in London. Pickett falsely represented that CSO's leverage was four times net asset value and that CSO's largest position only represented five percent of the gross assets of the Master Fund. These statements were false taking into account the ProSieben commitment. Pickett failed to disclose the ProSieben commitment and the detrimental effect this investment would have on CSO. The ProSieben investment alone amounted to approximately twenty percent of the gross assets of the Master Fund, at or above the maximum concentration limits in the applicable PPMs, and increased the Master Fund's leverage from 4 to 7.5 times net asset value.

66. On July 27, 2007, Peters spoke with Ramesh Parameswar, a CAI investment relations officer located in New York, who informed him that CSO was leveraged 4.2 times net asset value in the underlying loans. Parameswar assured Peters that Pickett liked his book. He further misrepresented that Pickett was sitting on twenty

percent unencumbered cash, a key metric, and that the Master Fund could take down leverage without a problem.

67. On August 2, 2007, Parameswar called Peters to provide financial information on CSO. He represented that the fund was leveraged 5x long and that the current cash position was twenty percent. He further represented that CSO was not near to any margin calls and could take down leverage without any a problem.

68. On August 3, 2007, Peters sent Parameswar a series of detailed questions concerning CSO's financing, investments, and leverage.

69. The CSO exposure report as of July 31, 2007 failed to include the ProSieben investment and falsely represented that the CSO leverage was 5.45 times net asset value.

70. On August 7, 2007, Peters had a detailed conversation with Parameswar regarding CSO's financial position, financing and leverage. He asked questions concerning the tenor of the total return swaps utilized to provide CSO with leverage and the margin requirements. Parameswar represented that CSO's unencumbered cash position was fifteen percent. Parameswar further told Peters that RIM would receive a previously-requested spreadsheet detailing CSO's exposure.

71. RIM asked Parameswar on August 16, 2007 whether investors had given redemption notices for the August 31, 2007 redemption date and whether redemption notices had been received for the November 30, 2007 year-end redemption date. Redemption notices had to be given sixty days in advance. Parameswar stated that there had been no redemption requests for the August 31, 2007 redemption date.

72. Redemptions are important because they reduce liquidity and raise leverage. A rush of redemptions also is an indicator of a lack of confidence in a fund.

73. In a conversation with RIM officials on August 27, 2007, Parameswar misrepresented to Peters, Murphy, and Eric Klein, Investment Analyst and Associate Vice President of Robeco-Sage, that the Master Fund's unencumbered cash was eighteen percent and conservatively was expected to grow to twenty-four percent in three months given the book's amortization schedule. Parameswar informed the group that no redemptions had been received for the November 30 Dealing Date and agreed to provide RIM with a customized transparency sheet showing CSO's portfolio investments.

74. The monthly CSO exposure report as of August 31, 2007 did not include the ProSieben investment and falsely represented that leverage was 5.51 times net asset value.

75. On September 7, 2007, Robeco's Manager Selection Committee met to discuss whether to redeem plaintiffs' investments in CSO as of the November 30, 2007, Dealing Day. Based on the false and misleading information provided by defendants, the investment committee decided not to submit a notice of redemption. Had defendants disclosed the ProSieben transaction and its adverse effects on CSO, the investment committee would have decided to submit a notice of redemption prior to the September 30, 2007 deadline for submitting redemption notices.

76. In a conversation on September 12, 2007, Parameswar informed Peters that one notice of redemption had been received for $20 million. He also misinformed Peters that CSO's bank leverage was in the four -to -five range since October or November 2006.

77. On September 12, 2007, Parameswar sent Peters a spreadsheet purporting to show the exposures of CSO as of August 31, 2007. The spreadsheet was materially misleading because it did not reflect the ProSieben investment and misrepresented CSO's leveraged position.

78. In a meeting and telephone conference with RIM representatives Messrs. Peters, Platkin, Murphy, Klein on September 18, 2007, Pickett falsely assured them that the Master Fund's unencumbered cash levels were unchanged from August's estimate of eighteen percent of the $600 million assets under management. He further misrepresented that the portfolio had "no potential blowups" and that "corporate credit quality is strong across the portfolio." CAI's Parameswar was also on the call and did not contradict Pickett. These representations were false because they did not take the ProSieben trade into account. These factors were material to RIM and plaintiffs in deciding whether to remain invested in CSO.

79. In the same meeting, Pickett further represented that he was looking to reduce leverage and that he had been in talks with Citigroup to add to their $120 million investment. He further represented that he and other insiders at CPL were putting more of their own money into CSO. Additionally, Pickett misrepresented that the internal rate of return on the current portfolio was twenty-five percent. At the time he made these statements, Pickett knew that they were false because, *inter alia*, they did not include the ProSieben investment. He made these statements with the intention that plaintiffs would rely upon them and not redeem their investments in CSO.

80. On September 28, 2007, Johnson informed Nathan Peters by e-mail that there were no further notices of redemption for CSO. After receipt of this e-mail Peters

spoke to Johnson by telephone. Johnson told him that redemption requests totaled $41.5 million.

81. The CSO exposure report as of September 30, 2007 did not include the ProSieben investment and showed leverage at 5.73 times net asset value.

82. If plaintiffs had been informed of the ProSieben investment, they would have given notice by the September 30, 2007 deadline to redeem their interests in CSO at the November 30, 2007 redemption date. On information and belief, the total redemption requests received prior to September 30, 2007, added to the total value of the plaintiffs' interests in CSO would not have exceeded fifteen percent of the total net asset value of CSO, and thus plaintiffs would have been able to redeem their entire position as of November 30, 2007.

83. Plaintiffs were concerned that CSO was over-leveraged and were ambivalent about remaining invested in CSO. RIM held an investment committee meeting on the eve of the September 30, 2007 deadline to go over the numbers one last time and to decide whether to put in a notice of redemption for all the plaintiffs' shares in CSO. Disclosure of the huge ProSieben investment and the substantial increase in leverage that taking on the ProSieben position would entail, would have resulted in a decision to disinvest entirely from CSO.

84. Even after CAI learned of the ProSieben investment in or about September 2007, CAI still did not notify plaintiffs of the flawed investment or the impact on the Master Fund leverage until December 13, 2007, over two months later. Had defendants immediately notified plaintiffs of the ProSieben investment, even if the validity of the trade were in dispute, RIM and the plaintiffs would have redeemed their shares in CSO.

Instead, defendants deliberately withheld material information while they negotiated with the Managing Lead Arrangers, until it was too late for plaintiffs to redeem for the November 30, 2007 redemption date.

**First Cause of Action Against All Defendants**

**(Fraud)**

85. Plaintiffs incorporate the allegations set forth in Paragraphs 1 through 84 above as though fully set forth herein.

86. Pickett intentionally violated the trading limits set forth in the funds' PPMs and CAI internal trading limits by subscribing to an excessive allocation of the ProSieben debt transaction.

87. Pickett fraudulently concealed the ProSieben transaction from the back office and risk management personnel at CPL and at CAI. CPL and CAI omitted to provide material information in communications with plaintiffs and other investors.

88. Defendants knowingly misrepresented the financial condition of CSO and its leverage in communications to plaintiffs with intent to induce plaintiffs to refrain from redeeming their positions in CSO in reliance upon the misrepresentation.

89. CPL and CAI are responsible for Pickett's fraudulent acts under the doctrine of *respondeat superior*. Pickett's fraudulent acts were within the scope of his employment as an employee and agent of CPL and CAI. At all times relevant to the complaint, CSO and CPL were alter egos and instrumentalities of CAI.

90. When CAI learned of Pickett's fraudulent investment in the ProSieben debt transaction in or about September, 2007 and his disregard of trading limits, it failed to disclose this information to investors immediately and continued to disseminate false

financial statements and risk exposure reports. Information concerning the ProSieben transaction and its impact on the cash position, creditworthiness, and leverage of the Master Fund was material to plaintiffs.

91. CSO and CAI provided portfolio risk assessments to plaintiffs that misrepresented the investments in the Master Fund portfolio, failed to disclose the ProSieben transaction, failed to disclose that the ProSieben trade was unauthorized and in violation of CSO's and CAI's trading limits, and materially understated the extent to which CSO was leveraged with intent to induce the plaintiffs to rely on these misrepresentations and omissions.

92. Plaintiffs justifiably relied on Defendants' misrepresentations and omissions in making the decision not to submit a notice of redemption by September 30, 2007 for the November 30, 2007 redemption date. Plaintiffs would have redeemed all their investments in CSO if defendants had timely disclosed the investment in the ProSieben transaction, the actions taken by Pickett in violation of CSO's trading limits, and the fact that ProSieben transaction increased CSO's leverage to 7.5 times the net asset value of the fund.

93. Plaintiffs have suffered damages in an amount to be determined at trial as a result of their reliance on defendants' fraudulent misrepresentations and omissions.

**Second Cause of Action Against All Defendants**

**(Breach of Fiduciary Duty)**

94. Plaintiffs incorporate the allegations set forth in Paragraphs 1 through 93 above as though fully set forth herein.

95. Defendants stood in a fiduciary relationship with plaintiffs by virtue of their position and having superior access to confidential information so as to require plaintiffs to repose trust and confidence in them. The fiduciary relationship arose from plaintiffs' entrusting assets to defendants for investment.

96. Defendants owed a fiduciary duty to plaintiffs as investors in CSO to invest strictly in accordance with the trading limits set forth in the PPMs and internal trading guidelines.

97. Defendants owed a fiduciary duty to plaintiffs as investors in CSO to make full, timely and complete disclosures of all material investments and other actions taken on behalf of CSO. CPL owed plaintiffs a fiduciary duty of truthfulness and candor as a registered investment advisor in the United States and in the United Kingdom. Defendants breached this duty by failing to make timely disclosure of the ProSieben investment and its effects on CSO.

98. Defendants betrayed their fiduciary duties in connection with the ProSieben investment because that investment violated defendants' own trading limits and policies.

99. CAI and Havens further owed plaintiffs a fiduciary duty to exercise vigilance to ensure that CPL and Pickett invested in accordance with applicable trading limits and practices.

100. Plaintiffs suffered damages in an amount to be determined at trial as a direct result of defendants' breach of fiduciary duties owed to plaintiffs. But for the breach of fiduciary duty by CPL and CAI, plaintiffs would have redeemed their interests in CSO as of November 30, 2007.

**Third Cause of Action Against All Defendants Except Pickett**

**(Professional Negligence)**

101. Plaintiffs incorporate the allegations set forth in Paragraphs 1 through 100 above as though fully set forth herein.

102. Defendants owed plaintiffs a duty of care to monitor the activities of John Pickett and to ensure that all trades were executed in compliance with internal trading limits and industry standards.

103. Defendants breached their duty of due care by failing to monitor adequately the activities of John Pickett as portfolio manager of CSO and by failing to have systems in place to capture all intentions of interest, commitments, subscriptions, trades, credit transactions, and all communications with counterparties on the books and records of CSO and CAI. Defendants also failed to ensure that all trades were executed in compliance with trading limits. Defendants' failures were a departure from accepted standards of practice in the industry.

104. Plaintiffs have been damaged as a proximate result of defendants' negligence in an amount to be determined at trial. But for defendants' negligence, plaintiffs would have redeemed their interests in CSO as of November 30, 2007.

**Fourth Cause of Action Against CAI and CPL**

**(Negligent Misrepresentation)**

105. Plaintiffs incorporate the allegations set forth in Paragraphs 1 through 104 above as though fully set forth herein.

106. Defendants owed a duty of care to plaintiffs arising out of their special relationship as fund managers of Plaintiffs' investments. Plaintiffs are in privity with CPL and CAI or have a bond so close as to approach that of privity.

107. CPL owed plaintiffs a fiduciary duty of truthfulness and candor as a registered investment advisor in the United States and in the United Kingdom.

108. Defendants represented to plaintiffs that they had policies and procedures in place to detect violations of trading limits and to ensure that information concerning CSO was accurate and complete.

109. Defendants knew or should have known in the exercise of due care that the information communicated to plaintiffs concerning the make-up and leverage of the CSO portfolio was incorrect.

110. Defendants knew that plaintiffs and RIM would rely on the representations made by them in managing their investments.

111. Plaintiffs justifiably relied to their detriment on CAI and CLP's false written and oral communications concerning the composition and leverage of the Master Fund's portfolio.

112. Plaintiffs suffered damages in an amount to be determined at trial as a result of the negligent misrepresentations of CAI and CLP. But for the professional malpractice of CAI and CLP, plaintiffs would have redeemed their interests in CSO as of November 30, 2007.

**Fifth Cause of Action Against CSO, CAI, CPL and Pickett**

**(Fraudulent Inducement)**

113. Plaintiffs incorporate the allegations set forth in Paragraphs 1 through 112 above as though fully set forth herein.

114. Plaintiffs Triton and River Road invested $750,000 and $500,000 respectively in CSO Ltd. on or about July 1, 2007.

115. Triton and River Road relied on the financial statements distributed by CSO in making these investments.

116. If CSO had timely recorded the ProSieben investment on its books and records and financial statements at the time CSO made a binding Indication of Interest to participate in the ProSieben syndicated loan, Triton and River Road would not have made additional investments in CSO on or about July 1, 2007. On information and belief, this financial information was known to CSO sufficiently far in advance of June 30, 2007 to have been disclosed to Triton and River Road prior to the time they made their decision to invest an additional $1.25 million in CSO.

117. On information and belief, CSO had not cleared the investment with its financing counterparties and had not lined up financing for the ProSieben transaction in advance of making the commitment to participate in the syndicated loan.

118. The size of the ProSieben investment relative to the net asset value of the fund, the lack of pre-arranged financing, and the substantial increase in leverage resulting from the commitment would have been material factors in Triton and River Road's decision to invest.

119. Defendants CSO, CAI, CPL, and Pickett knowingly misrepresented the financial condition of CSO and its leverage in communications to plaintiffs with intent to induce Triton and River Road to invest additional funds in CSO on or about July 1, 2007. Triton and River Road justifiably relied on the fraudulent inducement and were damaged thereby.

## CONCLUSION

WHEREFORE, plaintiffs demand judgment from this Court awarding:

(a) On counts one through four, compensatory damages against all defendants in an amount in excess of $25,000 to be determined at trial;

(b) On count five, rescission of the $1.25 million investment made by Triton and River Road in CSO on or about July 1, 2007 or, in the alternative, compensatory damages against defendants CSO, CAI, CPL, and Pickett in an amount to be determined at trial;

(c) Pre-judgment interest at the amounts recoverable under New York law;

(d) Such other and further relief as shall be appropriate.

Dated: April 8, 2008
New York, New York

Respectfully submitted,

BOIES, SCHILLER AND FLEXNER LLP

By: _____
Steven I. Froot
Howard L. Vickery
Marilyn Kunstler
Jonathan Davenport

575 Lexington Avenue
New York, New York 10022
212-446-2300

*Attorneys for Plaintiffs*

Index No. 08601030

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

ROBECO-SAGE CAPITAL, LP, ROBECO-SAGE CAPITAL INTERNATIONAL, LTD., ROBECO-SAGE CAPITAL INTERNATIONAL II, LTD., ROBECO-SAGE TRITON FUND, LLC, RIVER ROAD FUND, LTD., ROBECO-SAGE MULTI-STRATEGY FUND, LLC, and OLD FIELD FUND, LLC

Plaintiffs,

-against-

CITIGROUP ALTERNATIVE INVESTMENTS LLC, CORPORATE SPECIAL OPPORTUNITIES LTD., CSO PARTNERS LTD., CSO LTD., CSO US LTD, JOHN HAVENS, and JOHN PICKETT

Defendants.

**SUMMONS AND COMPLAINT**

Boies, Schiller and Flexner
575 Lexington Avenue
7th Floor
New York, NY 10022
212-446-2300

Attorneys for Plaintiffs.