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Citi Cancels a \$4.5 Million Renovation

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By DAVID ENRICH

Citigroup Inc. canceled a planned \$4.5 million renovation of its main office in Brazil that included an area for entertaining clients and a landscaped terrace called a "suspended garden."

The New York company had hired corporate-architectural firm Athié Wohnrath Associados to overhaul three floors of its headquarters in São Paulo and was set to begin the renovations soon, according to people familiar with the matter. The job was supposed to be completed by early 2010, including a 1,000-square-foot office with a panoramic view for Citigroup's top executive in Brazil.

"We need it to compete," a senior executive said about the project Tuesday, describing it as an important way to impress banking clients and use Citigroup's real estate more efficiently.

But on Tuesday afternoon, a person familiar with the situation said the renovation had been reviewed by senior executives, who decided to shelve the project.

The reversal underscores the sensitivity inside Citigroup about its spending habits, since the bank has gotten \$45 billion from the U.S. government, a 34%-owner of the company's common stock.



Emporis

Citi was hoping to modernize the meeting space at its headquarters in São Paulo, Brazil, and had a plan to do so. Now it is still hoping.

Earlier this year, Citigroup abandoned plans to buy a new corporate jet under pressure from President Barack Obama, and was forced to defend a renovation of the company's Park Avenue headquarters in Manhattan that cost more than \$3 million. Citigroup agreed this month to sell its lucrative Phibro LLC commodities-trading unit to defuse controversy over pay at the unit.

While the jet purchase and New York revamp were planned long before Citigroup's bailout last fall, the decision to overhaul three floors of the pink-granite, 18-story building owned by the bank in downtown São Paulo was made this summer.

When initially asked about the planned renovation by The Wall Street Journal, Citigroup officials responded that the price tag was equal to less than 1% of the Brazilian's unit's annual revenue. The operation is one of Citigroup's fastest-growing businesses.

The project was supposed to transform the 17th floor, which currently contains executive offices, into a dedicated area for meeting and entertaining important clients, primarily corporations and wealthy individuals, according to the people familiar with the plans. Citigroup now has meeting rooms scattered throughout the building, but no single large area for interacting with clients.

Citigroup's top Brazilian executive, Gustavo Marin, felt that put the company at a disadvantage to deeper-pocketed rivals with lavish meeting rooms and event venues at their disposal, according to people familiar with the matter.

The renovation also was aimed at grouping together Citigroup corporate and investment bankers, who have been sitting on different floors. Integrating such bankers throughout the company has been a priority of Chief Executive Vikram Pandit.

A senior Citigroup executive said Tuesday that Brazilian employees, whom rivals firms are trying to poach, would be demoralized if relatively modest expenditures were attacked. "Employees will ask: 'How does the bank plan to compete against competitors if they're making such a fuss about renovations?'"

Write to David Enrich at david.enrich@wsj.com

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