



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

DIVISION OF
CORPORATION FINANCE

May 31, 2005

Kevin P. McEnery, Esq.
Wilmer Cutler Pickering Hale and Dorr LLP
2445 M Street, N.W.
Washington, D.C. 20037

Re: In the Matter of Smith Barney Fund Management LLC and Citigroup Global Markets, Inc.—Waiver Request under Regulation A and Rule 505 of Regulation D

Dear Mr. McEnery:

This is in response to your letter dated today, written on behalf of Smith Barney Fund Management LLC (“SBFM”) and Citigroup Global Markets, Inc. (“CGMI” and together with SBFM, “Respondents”) and constituting an application for relief under Rule 262 of Regulation A and Rule 505(b)(2)(iii)(C) of Regulation D under the Securities Act of 1933 (“Securities Act”). You requested relief from disqualifications from exemptions available under Regulation A and Rule 505 of Regulation D that may arise by virtue of the order entered today by the Securities and Exchange Commission, pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”) with respect to Respondents, and pursuant to Section 15(b)(4) of the Securities Exchange Act of 1934 (“Exchange Act”) with respect to CGMI, censuring Respondents, ordering Respondents to cease and desist from committing or causing any violations and any future violations of Sections 206(l) and 206(2) of the Advisers Act, requiring that Respondents disgorge \$109,004,551 plus prejudgment interest and that SBFM pay a civil money penalty in the amount of \$80,000,000, and requiring that Respondents comply with certain undertakings set forth in the order, Exchange Act Rel. No. 51761, Advisers Act Rel. No. 2390 (File No. 3-11935, May 31, 2005) (the “Order”).

For purposes of this letter, we have assumed as facts the representations set forth in your letter and the findings supporting entry of the Order. We have also assumed that Respondents will comply with the Order.

On the basis of your letter, I have determined that you have made showings of good cause under Rule 262 and Rule 505(b)(2)(iii)(C) that it is not necessary under the circumstances to deny the exemptions available under Regulation A and Rule 505 of Regulation D by reason of entry of the Order. Accordingly, pursuant to delegated authority, and without necessarily agreeing that such disqualifications arose by virtue of entry of the Order, Respondents are granted relief from any disqualifications from exemptions otherwise available under Regulation A and Rule 505 of Regulation D that may have arisen as a result of entry of the Order.

Very truly yours,


Gerald J. Laporte
Chief, Office of Small Business Policy

May 31, 2005

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BY E-MAIL AND MESSENGER

Gerald J. Laporte, Esquire
Chief, Office of Small Business Policy
Division of Corporation Finance
U.S. Securities and Exchange Commission
100 F Street, N.E., 3rd Floor
Washington, D.C. 20549

Re: *In the Matter Of Smith Barney Fund Management LLC and
Citigroup Global Markets, Inc.*

Dear Mr. Laporte:

This letter is submitted on behalf of the entities listed in the above-captioned matter (collectively, "Respondents"), the settling Respondents in an administrative proceeding arising out of the above-captioned investigation. Respondents hereby request, pursuant to Rule 262 of Regulation A and Rule 505(b)(2)(iii)(C) of Regulation D of the Securities and Exchange Commission (the "Commission") promulgated under the Securities Act of 1933 (the "Securities Act"), waivers of any disqualification from exemptions under Regulations A and D that may be applicable to Respondents and any of their affiliates as a result of the entry of the Commission order described below. Respondents request that these waivers be granted effective upon the entry of the Commission order. It is our understanding that the Division of Enforcement does not object to the grant of the requested waivers.

BACKGROUND

Division of Enforcement staff of the Northeast Regional Office engaged in settlement discussions with Respondents in connection with the contemplated administrative proceeding arising out of the above-captioned investigation, which was brought pursuant to Sections 203(e) and (k) of the Investment Advisers Act of 1940 (the "Advisers Act") and Sections 15(b)(4) of the Securities Exchange Act of 1934 (the "Exchange Act"). As a result of these discussions, Respondents submitted an offer of settlement. In the offer of settlement, solely for the purpose of proceedings brought by or on behalf of the Commission or to which the Commission is a party, Respondents agreed to consent to the entry of an Order of the Commission (the "Order")

without admitting or denying the matters set forth therein (other than those relating to the jurisdiction of the Commission).

The Order, which was entered today, contains findings that, under Section 206(1) of the Advisers Act, there were disclosure failures by Respondents Smith Barney Fund Management LLC ("SBFM") and Citigroup Global Markets, Inc. ("CGMI") in connection with securing approval by the Boards of the Smith Barney Funds for the appointment of an affiliated transfer agent. First, the Order finds that SBFM and CGMI failed to disclose a November 20, 1998 letter agreement between First Data and Respondents' predecessors requiring, among other things, certain revenue guarantees by First Data. Second, the Order finds that SBFM and CGMI failed to disclose that First Data had offered to continue as the funds' transfer agent for an annual fee discount of \$25 million. The Order also finds that, under Section 206(2) of the Advisers Act, the Respondents failed to make certain additional disclosures to the fund boards in 1999 in connection with securing approval of the internal transfer agent.

Based on these findings, the Order censures Respondents, requires that Respondents cease and desist from committing violations of Sections 206(1) and 206(2) of the Advisers Act, requires that Respondents disgorge \$109 million plus prejudgment interest, and requires that SBFM pay an \$80 million civil money penalty.

DISCUSSION

Respondents understand that the entry of the Order may disqualify them and affiliated entities from certain exemptions under Regulations A and D promulgated under the Securities Act, insofar as the Order causes Respondents to be subject to an order of the Commission entered pursuant to Section 15(b)(4) of the Exchange Act and/or Section 203(e) of the Advisers Act. The Commission has the authority to waive the Regulation A and D exemption disqualifications upon a showing of good cause that such disqualifications are not necessary under the circumstances. *See* 17 C.F.R. §§ 230.262 and 230.505(b)(2)(iii)(C).

Respondents seek waivers of the exemption disqualifications under Regulations A and D on the following grounds:

1. Respondents' conduct addressed in the Order does not pertain to Regulation A or D.
2. Respondents, prior to the entry of the Order, have undertaken to revise and improve policies and procedures addressing retention of services providers, including the adoption of a new vendor policy and review of the existing transfer agent contract, which will help or has helped prevent recurrence of the conduct at issue.
3. The disqualification of Respondents from the exemptions under Regulations A and D would be unduly and disproportionately severe given the nature of the violations to be found in the Order and the extent to which disqualification would affect Respondents' business operations, particularly in the area of underwriting activity. In addition, the disqualification of Respondents from the regulatory exemptions may place Respondents at a competitive

disadvantage with respect to third parties that might seek to retain Respondents in connection with transactions that rely on the regulatory exemptions.

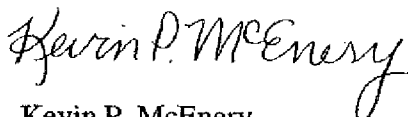
4. The disqualification of Respondents from the exemptions under Regulations A and D would also be unduly and disproportionately severe, given that: (a) the Order relates to activity unrelated to the conditional small issues or the limited offering exemptions, and (b) Respondents must pay a significant civil penalty and/or disgorgement pursuant to the Order.

* * *

In light of the grounds for relief discussed above, we believe that disqualification is not necessary in the public interest and for the protection of investors, and that Respondents have shown good cause that relief should be granted. Accordingly, we respectfully urge the Commission to waive, effective upon the entry of the Order, the disqualification provisions in Regulations A and D to the extent they may be applicable to Respondents and any of their affiliates as a result of the entry of the Order.¹⁷

Please do not hesitate to contact me at the above listed telephone number if you have any questions.

Sincerely,



Kevin P. McEnery

¹⁷ We note in support of this request that the Commission has recently granted relief under Rule 262 of Regulation A and Rule 505(b)(2)(iii)(C) of Regulation D for similar reasons. *See, e.g., Prudential Securities Inc.*, S.E.C. No-Action Letter (pub. avail. July 10, 2003); *Credit Suisse First Boston Corporation*, S.E.C. No-Action Letter (pub. avail. Jan. 29, 2002); *Dain Rauscher, Incorporated*, S.E.C. No-Action Letter (pub. avail. Sept. 27, 2001); *Legg Mason Wood Walker, Incorporated*, S.E.C. No-Action Letter (pub. avail. June 11, 2001); *Prudential Securities Inc.*, S.E.C. No-Action Letter (pub. avail. Jan. 29, 2001).