



DIVISION OF
CORPORATION FINANCE

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

December 23, 2008

Kevin P. McEnery, Esq.
Wilmer Cutler Pickering Hale and Dorr LLP
1875 Pennsylvania Avenue, NW
Washington, DC 20006

**Re: SEC v. Citigroup Global Markets Inc., Civil Action No. 08-cv-10753
(S.D.N.Y.)—Waiver Request under Regulation A and Rule 505 of Regulation D**

Dear Mr. McEnery:

This responds to your letter dated December 23, 2008, written on behalf of Citigroup Global Markets Inc. (“CGMI”), 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. You requested relief from disqualifications from exemptions available under Regulation A and Rule 505 that may have arisen by reason of the Judgment as to CGMI signed December 22, 2008 and entered on December 23, 2008 by the United States District Court for the Southern District of New York in *SEC v. Citigroup Global Markets Inc.*, Civil Action No. 08-cv-10753 (the “Judgment”). The Judgment permanently restrains and enjoins CGMI and its agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of the Judgment from violating, directly or indirectly, Section 15(c) of the Securities Exchange Act of 1934. Under the Consent of CGMI that was incorporated by reference into the Judgment, which is available at <http://www.sec.gov/news/press/2008/2008-290-citiconsent.pdf>, CGMI was ordered to comply with the following undertakings:

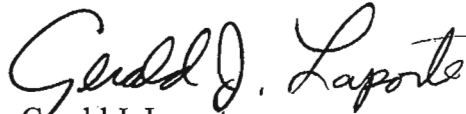
- CGMI will offer to purchase eligible auction rate securities (“ARS”) at par from eligible individuals, charities, and small businesses that purchased those ARS through CGMI.
- CGMI will use its best efforts to provide, by December 31, 2009, institutional and other customers that purchased ARS from CGMI on or before February 12, 2008 opportunities to liquidate their eligible ARS, including, but not limited to, facilitating issuer redemptions, restructurings, and other reasonable means.
- For a certain time period, CGMI will provide monthly reports to the SEC and meet quarterly with the SEC staff regarding its progress with respect to its obligations under the Consent.

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

On the basis of your letter, I have determined that you have made showings of good cause under Rule 262 and Rule 505 that it is not necessary under the circumstances to deny the exemptions available under Regulation A and Rule 505 by reason of entry of the Judgment. Accordingly, pursuant to delegated authority, and without necessarily agreeing that any such disqualifications arose by reason of entry of the Judgment, CGMI is granted relief from any disqualifications from exemptions otherwise available under Regulation A and Rule 505 that may have arisen by reason of entry of the Judgment.

Very truly yours,

A handwritten signature in cursive script that reads "Gerald J. Laporte". The signature is written in black ink and is positioned above the printed name and title.

Gerald J. Laporte
Chief, Office of Small Business Policy

December 23, 2008

Kevin P. McEnery

BY E-MAIL AND MESSENGER

+1 202 663 6596 (t)

+1 202 663 6363 (f)

kevin.mcenery@wilmerhale.com

Gerald J. Laporte, Esq.
Chief, Office of Small Business Policy
Division of Corporate Finance
U.S. Securities and Exchange Commission
100 F Street, N.E., 3rd Floor
Washington, D.C. 20549-3628

Re: In the Matter of Auction Rate Securities Liquidity Issues
Regarding Citigroup Global Markets, Inc., File No. HO-10868

Dear Mr. Laporte:

This letter is submitted on behalf of our client Citigroup Global Markets Inc. (“CGMI”), the settling defendant in a civil action arising out of the above-captioned investigation. CGMI hereby requests, 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 disqualifications from relying on the exemptions under Regulation A and Rule 505 of Regulation D that may be applicable to CGMI and any of the issuers described below as a result of the entry of the judgment entered in a civil action filed by the Commission in federal district court (the “Judgment”), which is described below. CGMI requests that these waivers be granted effective upon the entry of the Judgment. It is our understanding that the Staff of the Commission’s Division of Enforcement does not object to the grant of the requested waivers.

BACKGROUND

The Staff of the Division of Enforcement engaged in settlement discussions with CGMI in connection with the above-captioned investigation. As a result of these discussions, CGMI submitted an executed Consent of Defendant Citigroup Global Markets Inc. (the “Consent”) that was filed by the Commission with the court on December 11, 2008.

In the Consent, solely for the purpose of proceedings brought by or on behalf of the Commission or in which the Commission is a party, CGMI agreed to consent to the entry of the Judgment, without admitting or denying the allegations contained in the Commission’s Complaint (other than those relating to the jurisdiction of the Commission, which were admitted). The Complaint and the Consent, which were filed today, address CGMI’s conduct in connection with the marketing and sale of auction rate securities (“ARS”) and allege that CGMI violated Section 15(c) of the Securities Exchange Act of 1934 (“Exchange Act”), an anti-fraud provision of the federal securities laws. More specifically, the Complaint alleges that CGMI misled tens of thousands of its customers regarding the fundamental nature and increasing risks

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associated with ARS that CGMI underwrote, marketed, and sold. The Complaint further alleges that, through its financial advisers, sales personnel, and marketing materials, CGMI misrepresented to customers that ARS were safe, highly liquid investments comparable to money market instruments. The Complaint also alleges that, as a result, numerous customers invested in ARS funds they needed to have available on a short-term basis. In addition, the Complaint alleges that (i) in mid-February 2008, CGMI decided to stop supporting the auctions, and (ii) as a result of failed auctions, tens of thousands of CGMI customers held approximately \$45 billion of illiquid ARS, instead of the liquid short-term investments CGMI had represented ARS to be. The Judgment permanently enjoined CGMI from violating Section 15(c) of the Exchange Act; and ordered CGMI to, among other things, offer to buy back at par certain ARS from certain customers.

DISCUSSION

CGMI understands that the entry of the Judgment may disqualify it, affiliated entities, and other issuers from certain exemptions under Regulation A and Rule 505 of Regulation D promulgated under the Securities Act. CGMI is concerned that, should it be deemed to be a promoter, or the underwriter of the securities, of an "issuer" for the purposes of Securities Act Rule 262(b)(2), CGMI, its issuer affiliates, and other issuers with which it is associated in one of those listed capacities and which rely upon or may rely upon these offering exemptions when issuing securities would be prohibited from doing so. The Commission has the authority to waive the Regulations 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).

CGMI requests that the Commission waive any disqualifying effects that the Judgment may have under Regulation A and Rule 505 of Regulation D with respect to CGMI, its issuer affiliates, or third-party issuers on the following grounds:

1. CGMI's conduct alleged in the Commission's Complaint and addressed by the Judgment does not pertain to Regulation A or D.
2. The disqualification of CGMI, any of its issuer affiliates, or third-party issuers with which it is associated in one of the capacities listed above from relying upon the exemptions under Regulations A and Rule 505 of Regulation D would be unduly and disproportionately severe given the nature of the violation addressed by the Judgment and the extent to which disqualification may affect the business operations of CGMI, its issuer affiliates, or such third-party issuers by impairing their ability to issue securities pursuant to these exemptions to raise new capital or for other purposes. In addition, the disqualification of CGMI, its issuer affiliates, or third-party issuers from using these regulatory exemptions may place CGMI or those issuers

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at a competitive disadvantage with respect to third parties that might seek to invest in securities that rely on the regulatory exemptions.

3. The disqualification of CGMI, any of its issuer affiliates, or third-party issuers from relying on the exemptions under Regulation A and Rule 505 of Regulation D also would be unduly and disproportionately severe, given that: (a) the Complaint and the Judgment relate to activity that has been addressed in the civil action; and (b) CGMI has undertaken to offer to buy back at par ARS that are not auctioning from all CGMI individual investors who purchased those ARS from CGMI prior to February 11, 2008.

In light of the grounds for relief discussed above, we believe that disqualification from being able to rely on the exemptions is not necessary, in the public interest, or for the protection of investors, and that CGMI has shown good cause that relief should be granted. Accordingly, we respectfully urge the Commission to waive, effective upon the entry of the Judgment by the federal district court, the disqualification provisions in Regulation A and Rule 505 of Regulation D to the extent they may be applicable to CGMI, any affiliated issuers, and certain third-party issuers described above, as a result of the entry of the Judgment.¹

If you have any questions regarding this request, please contact me at 202-663-6596.

Very truly yours,



Kevin McEnergy

¹ We note in support of this request that the Commission has granted relief under Rule 262 of Regulation A and Rule 505(b)(2)(iii)(C) of Regulation D for similar reasons. *See, e.g.*, Sybaris Clubs Int'l, Inc., S.E.C. No-Action Letter (pub. avail. July 1, 1996); The Cooper Companies, Inc., S.E.C. No-Action Letter (pub. avail. Dec. 20, 1994); Michigan Nat'l Corp., S.E.C. No-Action Letter (pub. avail. Dec. 17, 1993); General Electric Co., S.E.C. No-Action Letter (pub. avail. May 24, 1988); *see also* 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).