



DIVISION OF
CORPORATION FINANCE

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

May 31, 2006

Francis P. Barron, Esq.
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**Re: Citigroup Global Markets, Inc., Administrative Proceeding File No. 3-12310—
Waiver Request under Regulation A and Rule 505 of Regulation D**


Dear Mr. Barron:

This is in response to your letter dated today, written on behalf of Citigroup Global Markets, Inc. ("Citigroup Global Markets") 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 arose by virtue of the entry of an order dated today against Citigroup Global Markets and others as respondents by the Securities and Exchange Commission in the referenced administrative proceeding (the "Order"). The disqualifications arose because the Order was issued under Section 15(b) of the Securities Exchange Act of 1934 and contained paragraphs numbered IV.D and IV.E, which ordered Citigroup Global Markets, among other things, to provide written descriptions of its material auction practices and procedures for auction rate securities. The order also was issued under Section 8A of the Securities Act and also censured Citigroup Global Markets, ordered Citigroup Global Markets to cease and desist from committing or causing any violations and any future violations of Section 17(a)(2) of the Securities Act, and ordered Citigroup Global Markets to pay a civil money penalty in the amount of \$1,500,000.

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 against Citigroup Global Markets. We have also assumed that Citigroup Global Markets has complied and will continue to comply with the Order.

On the basis of your letter, I have determined that Citigroup Global Markets has made a showing 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 against Citigroup Global Markets. Accordingly, pursuant to delegated authority, Citigroup Global Markets is granted relief from any disqualifications from exemptions otherwise available under Regulation A and Rule 505 of Regulation D that arose as a result of entry of the Order against it.

Very truly yours,


Gerald J. Laporte
Chief, Office of Small Business Policy

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May 31, 2006

In the Matter of Certain Auction Practices (HO-09954)

Dear Mr. Laporte:

This letter is submitted on behalf of our client, Citigroup Global Markets, Inc. ("CGMI"), in connection with the settlement of the above-captioned inquiry by the Commission. CGMI hereby requests, pursuant to Rule 262 of Regulation A and Rule 505(b)(2)(iii)(C) of Regulation D promulgated under the Securities Act of 1933 (the "Securities Act"), waivers of any disqualifications from exemptions under Regulations A and D that may be applicable to CGMI and any of the issuers described below as a result of the Order Instituting Administrative and Cease-and-Desist Proceedings, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Section 8A of the Securities Act of 1933 and Sections 15(b) of the Securities Exchange Act of 1934 (the "Order"), entered in the above-entitled proceeding. It is our understanding that the Enforcement Staff does not object to the requested waivers.

Background

The Order, to which CGMI consented, without admitting or denying the findings contained therein (other than those relating to the jurisdiction of the Commission, which are admitted), finds that, as part of its broker-dealer business, CGMI underwrites, and manages auctions for, auction rate securities, and that from at least January 1, 2003 through June 30, 2004, in connection with these auctions, CGMI and the other broker-dealers engaged in one or more of the practices described below, each of which violates Section 17(a)(2) of the Securities Act.

a. Use of Open or Market Bids. Certain broker-dealers allowed investors to place open or market bids in auctions. When an investor placed such a bid, certain broker-dealers at times supplied the discretionary information missing from the open or market bid – such as the security, rate, and/or quantity – after viewing other orders submitted in the auction. In certain instances, this practice advantaged the

investors submitting open or market bids by displacing other investors' bids and/or affected the clearing rate;¹

b. Intervention in Auctions. Certain broker-dealers intervened in auctions by bidding for their proprietary accounts or asking customers to make or change orders without adequate disclosure. In certain instances, the interventions affected the clearing rate;

c. Prioritization of Bids. Before submitting bids to the auction agent, certain broker-dealers changed or "prioritized" their customers' bids to increase the likelihood that the bids would be filled. As a result of this prioritization and a similar practice known as "cross-trading," certain bids were moved up in the disclosed hierarchy by which different types of bids would be filled. In certain instances, these practices resulted in certain investors' bids displacing other investors' bids when the auction was oversubscribed, affected the clearing rate, and did not conform to disclosed procedures;

d. Submission or Revision of Bids After Deadlines. Most auctions had an internal deadline that broker-dealers set for investors to submit bids to the broker-dealers and a formal submission deadline set by the offering documents for broker-dealers to submit bids to the auction agent. Certain broker-dealers at times allowed certain investors to submit or revise bids after these deadlines. In addition, certain broker-dealers themselves submitted or revised bids after these deadlines. In certain instances, these practices, except when solely done to correct clerical errors, advantaged investors or broker-dealers who bid after a deadline by displacing other investors' bids, affected the clearing rate, and did not conform to disclosed procedures;

e. Allocation of Securities. Certain broker-dealers exercised discretion in allocating securities to investors who bid at the clearing rate instead of allocating the securities pro rata as stated in the disclosure documents. In certain instances, this practice displaced other investors' bids and did not conform to disclosed procedures;

f. Partial Orders. When an auction is oversubscribed, investors may receive a partial, pro rata allocation of securities rather than receiving the full amount of the securities for which they bid. When this occurred, certain broker-dealers did not require certain investors to follow through with the purchase of the securities even though the bids were supposed to be irrevocable. Knowing that they would not have to follow

¹ The clearing rate determines the interest rate or yield the issuer must pay to investors. In those instances when this practice or the practices described below lowered the clearing rate, investors received a lower rate of return on their investments. Conversely, in those instances when the practices raised the clearing rate, issuers had to pay a higher interest rate or yield. As a result of certain practices that affected the clearing rate, investors may not have been aware of the liquidity and credit risks associated with certain securities.

through in purchasing partial orders, some investors bid to try to obtain the securities at rates higher than they would have bid if they had known that they risked having to buy partial orders. In certain instances, this practice affected the clearing rate and did not conform to disclosed procedures;

g. Express or Tacit Understandings To Provide Higher Returns.

Based upon an express or tacit understanding reached prior to or during an auction, certain broker-dealers provided higher returns than the auction clearing rate to certain investors. For example, pursuant to an express or tacit understanding reached prior to or during an auction: (1) certain broker-dealers provided a higher return by having the investor submit its bid at a lower rate than the investor actually wanted to receive, allowing the auction to clear at the lower rate, buying the securities from the investor after the auction, and then selling the securities back to the investor at below par value; (2) certain broker-dealers simply displaced an investor's bid and then compensated the investor by selling securities to the investor at below par value in the secondary market; and (3) certain broker-dealers provided a higher return by delaying the settlement date for certain investors. In certain instances, these practices affected the clearing rate and did not conform to disclosed procedures; and

h. Price Talk. Certain broker-dealers provided different "price talk"² to certain investors. In certain instances, some investors received information that gave them an advantage in determining what rate to bid, thereby displacing other investors' bids and/or affecting the clearing rate.

The Order, among other things, censures CGMI and other broker-dealers and orders them to cease and desist from violating Section 17(a)(2) of the Securities Act and Exchange Act; pay a civil money penalty of \$1.5 million; and comply with the certain undertakings to be enumerated in the Order.

² Price talk is a broker-dealer's estimate of the likely range within which an auction will clear. Often this range is 5-10 basis points. Some broker-dealers update the price talk as auctions progress.

Discussion

CGMI understands that the entry of the Order may disqualify it, affiliated issuers, and other issuers from relying on certain exemptions under Regulation A and Rule 505 of Regulation D promulgated under the Securities Act, insofar as the Order causes CGMI to be subject to an order of the Commission entered pursuant to Section 15(b) of the Exchange Act. CGMI is concerned that, should it be deemed to be a general partner, promoter or underwriter of the securities of an "issuer" for the purposes of Securities Act Rule 262(b)(3), CGMI, those of 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, or a member of the Commission's staff to whom appropriate authority has been delegated in accordance with 17 C.F.R. § 200.30-1, may 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 or an authorized member of its staff waive any disqualifying effects that the Order 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:

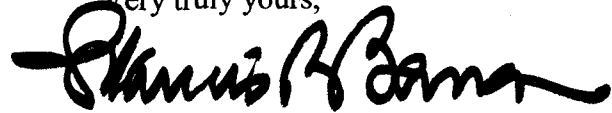
1. CGMI's conduct described in the Order does not pertain to Regulation A or D.
2. The disqualification of CGMI, any of its issuer affiliates, or third-party issuers with which it is associated in one of the capacities listed above from the exemptions under Regulation A and Rule 505 of Regulation D would be unduly and disproportionately severe given the nature of the violations addressed in the Order 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 the regulatory exemptions may place CGMI and those issuers 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 the exemptions under Regulation A and Rule 505 of Regulation D also would be unduly and disproportionately severe, given that: (a) the Order relates to activity that already has been addressed by CGMI; and (b) CGMI must pay a significant civil monetary penalty pursuant to the Order.

In light of the grounds for relief discussed above, we believe that disqualification 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 request that the Commission or an authorized member of its staff waive the

disqualification provisions in Regulation A and Rule 505 of Regulation D to the extent they may be applicable to CGMI, any affiliate issuers, and certain third-party issues described above, as a result of the entry of the Order.³

If you have any questions regarding this request, please do not hesitate to contact me at (212) 474-1506.

Very truly yours,



Francis P. Barron

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³ 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); Prudential Securities Inc., S.E.C. No-Action Letter (pub. avail. Jan 29, 2001).