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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

KRISTIN K. MAYES, Chairman  
GARY PIERCE  
PAUL NEWMAN  
SANDRA D. KENNEDY  
BOB STUMP

Arizona Corporation Commission

DOCKETED

APR 21 2009

DOCKETED BY [Signature]

In the matter of  
CITIGROUP GLOBAL MARKETS, INC.  
388 Greenwich Street  
New York, NY 10013  
  
Respondent.

DOCKET NO. S-03538A-09-0096

DECISION NO. 70968

ORDER TO CEASE AND DESIST, ORDER FOR ADMINISTRATIVE PENALTIES, AND CONSENT TO SAME BY: RESPONDENT CITIGROUP GLOBAL MARKETS, INC.

WHEREAS, Citigroup Global Markets Inc. ("CGMI") is a broker-dealer registered in the state of Arizona; and

WHEREAS, coordinated investigations into CGMI's activities in connection with CGMI's marketing and sale of auction rate securities ("ARS") have been conducted by a multistate task force; and

WHEREAS, CGMI has provided documentary evidence and other materials, and provided regulators with access to information relevant to their investigations; and

WHEREAS, CGMI has advised regulators of its agreement to resolve the investigations relating to its marketing and sale of ARS to certain investors; and

WHEREAS, CGMI agrees to, among other things, reimburse certain purchasers of auction rate securities, and to make certain payments at the direction of the Arizona Corporation Commission ("Commission"); and

1 WHEREAS, CGMI elects to permanently waive any right to a hearing and appeal under  
2 Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* (“Securities Act”)  
3 with respect to this Consent Order (the “Order”);

4 NOW, THEREFORE, the Commission, as administrator of the Securities Act, hereby  
5 enters this Order.

6 **I.**  
7 **FINDINGS OF FACT**

8 1. CGMI admits the jurisdiction of the Commission, neither admits nor denies the Findings of  
9 Fact and Conclusions of Law contained in this Order, and consents to the entry of this Order by the  
10 Commission.

11 2. CGMI (which includes Smith Barney, a division of CGMI) has engaged in the sale of ARS  
12 in the state of Arizona.

13 **Auction Rate Securities**

14 3. ARS as a general term refers to long-term debt or equity instruments tied to short-term  
15 interest rates that are reset periodically through an auction process.

16 4. An ARS auction is regarded as a “fail” or “failed auction” if there is not a buyer available  
17 for every ARS being offered for sale at the auction. In the event of a failed auction, the investors  
18 that wished to sell their ARS were unable to do so and would continue to hold the ARS and wait  
19 until the next successful auction to liquidate their positions.

20 5. Beginning in February 2008, the ARS market experienced widespread failed auctions (the  
21 “2008 Auction Failures”).

22 6. Common categories of ARS instruments include: auction preferred shares of closed-end  
23 funds (“Preferreds”); municipal auction rate certificates (“Municipal ARS”); and student loan-  
24 funds (“Preferreds”); municipal auction rate certificates (“Municipal ARS”); and student loan-  
25 funds (“Preferreds”); municipal auction rate certificates (“Municipal ARS”); and student loan-  
26 funds (“Preferreds”).

1 backed auction rate certificates ("Student Loan ARS"). The interest rates paid to ARS holders are  
2 intended to be set through a Dutch auction process.

3 7. The interest rate set at an ARS auction is commonly referred to as the "clearing rate."

4 8. In order to determine the clearing rate, the buy bids are arranged from lowest to highest  
5 interest rate (subject to any applicable minimum interest rate). The clearing rate is the lowest  
6 interest rate at which all ARS available for sale at the auction can be sold at par value.

7 **CGMI's Activities in the ARS Market**

8 9. Trading of ARS at CGMI is performed by the Short-Term Tax-Exempt Sales and Trading  
9 Desk ("Auction Desk").

10 10. CGMI's Auction Desk includes traders and sales coordinators. The sales coordinators on  
11 the Auction Desk at times provided information to, and answered questions from, CGMI's  
12 financial advisers regarding ARS.

13 11. For approximately twenty (20) years, CGMI has been an underwriter of ARS. The  
14 compensation earned for underwriting activities of Preferreds is typically one percent (1%) of the  
15 outstanding amount of the ARS underwritten. Since the late 1990s, the compensation for  
16 underwriting other types of ARS has generally been a fraction of one percent (.25% to .35%) of the  
17 outstanding amount of ARS underwritten.

18 12. CGMI's ARS underwriting activities are primarily handled by investment bankers. The  
19 Auction Desk often consulted the investment bankers with respect to various ARS matters.

20 13. The cost of the financing to issuers is directly related to the clearing rates set at the auctions  
21 for the issuer's ARS. As an underwriter, CGMI had an interest in providing low-cost financing to  
22 the issuers of the ARS that it underwrote because its ability to provide low-cost financing affected  
23 the possibility of additional underwriting business.  
24  
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26

1 14. CGMI typically served as a manager of ARS auctions. CGMI's roles for each auction  
2 were typically set forth in a broker-dealer agreement entered into between CGMI and the ARS  
3 issuer.

4 15. CGMI often served as the sole manager of ARS auctions or as the co-manager of auctions  
5 with other large broker-dealers.

6 16. CGMI's compensation for serving as an ARS auction manager is typically 25 basis points  
7 (annualized) of the ARS amount that CGMI sold to its clients.

8 17. If CGMI was either a sole or co-manager for an ARS, it may also have been designated as  
9 the lead or senior manager for the entire offering or for specific tranches of the ARS offering.

10 18. Prior to February 2008, CGMI's practice was to submit cover or support bids in all auctions  
11 for which it was the lead broker-dealer.

12 19. CGMI placed support bids to: (1) prevent failed auctions and (2) prevent an auction from  
13 clearing at a rate that CGMI believed did not reflect the market for the particular ARS being  
14 auctioned.

15 20. For auctions where CGMI was designated a lead manager, it regularly placed support bids  
16 for the entire amount of ARS for which CGMI was designated the lead. These support bids  
17 ensured that there were enough buyers for every ARS available for sale at the auctions, and as a  
18 result, the auctions would not fail.

19  
20 **Marketing and Listing of ARS**

21 21. Prior to the 2008 Auction Failures, CGMI marketed the following statement to its clients:  
22 "To date, CGMI, as lead manager, has never been involved in a failed auction."  
23

24 22. CGMI and CGMI personnel marketed and sold ARS to investors in Arizona as money-  
25 market alternatives, cash equivalents, and/or liquid investments.  
26

1 23. From on or about August 30, 2006, to until on or about April 10, 2008, CGMI stated on its  
2 website that “[f]rom an investor’s perspective, and subject to the conditions discussed in more  
3 detail below [including the risk of a failed auction and liquidity risk], ARS are generally viewed as  
4 an alternative to money market funds.”

5 24. ARS are characterized on customer account statements according to the type of security.  
6 Until March 2008, CGMI’s account statements listed Preferreds under a heading of “Money market  
7 and auction instruments.”

8 25. Since approximately 2004, CGMI has prepared and provided a document titled “Portfolio  
9 Review” (also formally called “Private Client Monitor”) to its clients. The Portfolio Review  
10 provides a snapshot of client accounts and is a way for CGMI’s clients to review their asset  
11 allocations and historical performance.  
12

13 26. The asset classes under which ARS are listed on the Portfolio Review include: (1) “Cash”  
14 (if the ARS reset period is seven days or less, i.e., floaters) and (2) “Cash Equivalents.”

15 27. CGMI did not provide its financial advisers with the training and information necessary to  
16 explain adequately ARS products or the mechanics of the auction process to CGMI’s clients.

17 **ARS Market from August 2007 to February 2008**

18 28. In or about August and September 2007, some ARS auctions managed by other broker-  
19 dealers experienced failures (the “2007 Auction Failures”). These failures were primarily based on  
20 credit quality concerns related to the ARS at issue.  
21

22 29. As a result of the 2007 Auction Failures and other market conditions, the ARS market  
23 began to see decreases in demand for ARS. Based on the decreasing demand, CGMI accumulated  
24 an increasing amount of ARS in its inventory because a higher number of CGMI’s support bids  
25 were being filled.  
26

1 30. Another effect of the decreasing demand in the ARS market was a general increase in the  
2 clearing rates. Given the increase in clearing rates, some ARS issuers contacted CGMI's  
3 investment bankers to express their complaints with the cost of their financing and threatened to  
4 take future underwriting business to other firms.

5 31. Because of the significant increase in CGMI's ARS inventory, CGMI personnel began to  
6 discuss the possibility that there might come a time when CGMI could no longer support the  
7 auctions. These discussions started in or about August 2007 and continued until the 2008 Auction  
8 Failures. During this time, CGMI understood that its withdrawal from the ARS market would  
9 result in some auction failures and the illiquidity of ARS held by its clients.

10 32. Throughout the fall of 2007, CGMI advised some ARS issuers to refinance their ARS into  
11 other types of financing such as variable rate demand obligations.

12 33. Despite its advice to ARS issuers, on or about November 8, 2007, CGMI increased the  
13 sales credit paid to Smith Barney Financial Advisers in connection with the sale of 7-day  
14 Municipal ARS.

15 34. CGMI's internal reasons for the increased sales credit included: (1) "move increasing  
16 inventory"; (2) make "the product more attractive relative to other options"; (3) "greater pressure  
17 on our balance sheet"; and (4) "greater pressure from issuers concerning execution versus  
18 competitors."  
19

20 35. On February 11, 2008, CGMI did not place any support bids in auctions for Student Loan  
21 ARS. As a result, on that date all of the Student Loan ARS auctions where CGMI was designated  
22 the lead manager failed.  
23

24 36. After February 11, 2008, CGMI no longer continued to place support bids on all ARS for  
25 which it was designated the lead manager. Subsequently, many auctions then failed, resulting in  
26 the illiquidity of billions of dollars invested in ARS.

**Auction Desk Tapes**

1  
2 37. CGMI recorded the Auction Desk's phone calls. These calls sometimes included  
3 conversations with issuers, other CGMI personnel, and institutional investor clients.

4 38. After a tape was fully recorded, it would be catalogued and maintained for a period of  
5 ninety (90) days. Following this 90-day period, the tape would be placed in a pool of tapes  
6 available for re-recording. CGMI represents that recycled tapes were randomly selected from the  
7 available pool for re-recording.

8 39. On or about April 17, 2008, the Texas State Securities Board ("TSSB") requested  
9 documentary evidence related to ARS for the period from January 1, 2007, through April 17, 2008,  
10 including tape recordings, from CGMI.

11 40. On or about July 2, 2008, CGMI informed the TSSB that certain tapes of the Auction Desk  
12 for the period from mid-October 2007 through February 13, 2008, had been overwritten pursuant to  
13 CGMI's represented tape recycling process. Upon discovery of the issue, CGMI promptly  
14 requested the suspension of the recycling of the Auction Desk tapes. CGMI represents that it  
15 subsequently determined that only one of the nine tapes for the period July 13, 2007, through July  
16 2, 2008, had in fact been overwritten.

17 41. As of July 2, 2008, CGMI had not overwritten the tapes for the period from July 13, 2007,  
18 through December 17, 2007, and for the period from February 14, 2008, through July 2, 2008.

19 42. CGMI failed to take adequate steps to secure one tape of the Auction Desk.  
20

21  
22 **II.**  
**CONCLUSIONS OF LAW**

23 1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona  
24 Constitution and the Securities Act.

25 2. The Commission finds that CGMI failed to reasonably supervise its employees and engaged  
26

1 in dishonest or unethical practices in the securities industry as defined in A.R.S. § 44-1961.

2 3. The Commission finds the following relief appropriate and in the public interest.

3 **III.**  
4 **ORDER**

5 On the basis of the Findings of Fact, Conclusions of Law, and CGMI's consent to the entry of  
6 this Order,

7 IT IS HEREBY ORDERED:

8 1. This Order concludes the investigation by the Commission and any other action that the  
9 Commission could commence under applicable Arizona law on behalf of Arizona as it relates to  
10 CGMI's marketing and sale of ARS to CGMI's "Eligible Customers," as defined below.

11 2. This Order is entered into solely for the purpose of resolving the above referenced-multistate  
12 investigation, and is not intended to be used for any other purpose.

13 3. CGMI shall cease and desist from violating the Securities Act and will comply with the  
14 Securities Act.

15 4. Pursuant to A.R.S. § 44-1961, CGMI shall pay an administrative penalty in the amount of  
16 four hundred fifty-five thousand one hundred twenty-eight and 80/100 dollars (\$455,128.80).  
17 Payment shall be made to the "State of Arizona." Payment is due and shall be made in full within  
18 ten days after the date of this Order.

19 5. CGMI shall take certain measures with respect to current and former customers that  
20 purchased "Eligible ARS" from CGMI, as defined below.

21 6. Eligible ARS. For purposes of this Order, "Eligible ARS" shall mean auction rate  
22 securities that were purchased at CGMI on or before February 12, 2008, and that have failed at  
23 auction at least once between August 7, 2008, and December 11, 2008.

24 7. Eligible Customer. As used in this Consent, "Eligible Customer" shall mean:  
25  
26

1 a. Natural persons who purchased ARS at CGMI on or before February 12, 2008, and  
2 held those securities on February 12, 2008;

3 b. Charities, endowments, or foundations with Internal Revenue Code Section  
4 501(c)(3) status that purchased ARS at CGMI on or before February 12, 2008, and held those  
5 securities on February 12, 2008; and

6 c. Small Businesses that purchased ARS at CGMI on or before February 12, 2008, and  
7 held those securities on February 12, 2008. For purposes of this provision, "Small Businesses"  
8 shall mean customers not otherwise covered by paragraph 7(b) above that had \$10 million or less  
9 in assets in their accounts with CGMI net of margin loans (or if the customer custodied portions of  
10 its investments purchased from CGMI away from CGMI, then had \$10 million or less in assets  
11 custodied at CGMI net of margin loans plus those assets purchased from CGMI but custodied  
12 elsewhere), as determined by the customer's aggregate household position(s) as of July 31, 2008 (if  
13 the customer was not a customer of CGMI as of July 31, 2008, as of the date that the customer  
14 terminated its customer relationship with CGMI, except that any customer excluded because it had  
15 more than \$10 million in assets purchased from CGMI as of the termination date shall be included  
16 if such customer can reasonably show that it held \$10 million or less in assets in its accounts at  
17 broker-dealers or other financial institutions where it held investments as of July 31, 2008).  
18

19 8. Notwithstanding any other provision, "Small Businesses" does not include: (i) broker-  
20 dealers, or (ii) banks acting as conduits for their customers; or (iii) customers that have represented  
21 that they had total assets of greater than \$50 million, or otherwise are determined to have had assets  
22 greater than \$50 million, as of July 31, 2008.  
23

24 9. In no event shall CGMI be required by this Order to purchase more than \$10 million of  
25 ARS from any Small Business.

26 10. Offer period. No later than November 5, 2008, or, for those Eligible Customers not

1 identified prior to November 5, 2008, despite CGMI's best efforts, as soon as practicable  
2 thereafter, CGMI shall offer to purchase, at par plus accrued and unpaid dividends/interest, Eligible  
3 ARS from Eligible Customers. This offer period shall remain open until at least February 5, 2009  
4 ("Offer Period"). CGMI may extend the Offer Period beyond this date. To the extent that CGMI  
5 is made aware that an Eligible Customer did not receive notice of the offer, the Offer Period shall  
6 remain open for that Eligible Customer until at least 5 pm (Eastern Time) on June 1, 2009.

7 11. Initial Notice. No later than seven (7) business days from December 11, 2008, CGMI shall  
8 make best efforts to identify and provide written notice to Eligible Customers, informing them of  
9 the relevant terms of the offer to repurchase, the specific security and quantity purchased (where  
10 practicable), a statement that the offer may be the only opportunity for the investor to liquidate the  
11 ARS holdings, and that the offer to repurchase is being made pursuant to a settlement with various  
12 regulators. CGMI shall also provide written notice to any Eligible Customers identified subsequent  
13 to the Initial Notice.  
14

15 12. Second Notice. To the extent that any Eligible Customer has not responded to CGMI's  
16 offer to purchase their Eligible ARS, CGMI shall make best efforts to provide any such Eligible  
17 Customer a second written notice on or before forty five (45) days before the end of the Offer  
18 Period including the terms detailed in paragraph III(11) above, notifying them of the impending  
19 expiration of the Offer Period, describing the state of the ARS market at that time, and explaining  
20 the consequences of failing to sell their ARS to CGMI prior to the expiration of the Offer Period.  
21

22 13. Notification to Customers Who Purchased ARS at Other Firms. With respect to CGMI  
23 customers who hold ARS in their accounts at CGMI that were purchased at other firms, by no later  
24 than forty five (45) days from December 11, 2008, CGMI shall use best efforts to notify such  
25 customers that they should contact those firms directly to determine whether they are extending an  
26 offer to purchase the customers' ARS.

1 14. Customer Assistance Line. No later than two (2) business days from December 11, 2008,  
2 CGMI shall establish a dedicated toll-free telephone assistance line, with appropriate staffing, to  
3 provide information and to respond to questions concerning the terms of this Order. CGMI shall  
4 maintain this dedicated telephone assistance line through December 31, 2009.

5 15. Purchase Acceptance Deadline. Eligible Customers may accept CGMI's offer to purchase  
6 Eligible ARS by notifying CGMI within the Offer Period and consistent with the provisions of  
7 paragraphs III(16) and III(17), below.

8 16. Purchases Relating to Eligible Customers Who Custody Their Eligible ARS at CGMI. For  
9 Eligible Customers who custodied their Eligible ARS at CGMI as of August 31, 2008:

10 a. If CGMI receives notification of acceptance of its purchase offer on or before  
11 October 21, 2008, CGMI shall purchase the Eligible ARS from the Eligible Customer on or before  
12 November 5, 2008; or

13 b. If CGMI receives notification of acceptance of its purchase offer after October 21,  
14 2008, but within the Offer Period, CGMI shall purchase the Eligible ARS on or before the next  
15 scheduled auction date that occurs (i) after November 5, 2008, and (ii) after three (3) business dates  
16 after CGMI's receipt of notification.  
17

18 17. Purchases Relating to Eligible Customers Who Custody Their Eligible ARS Away From  
19 CGMI. For Eligible Customers who custodied their Eligible ARS away from CGMI as of August  
20 31, 2008:

21 a. If CGMI receives: (i) notification of acceptance of its purchase offer on or before  
22 December 5, 2008; (ii) assurance reasonably satisfactory to CGMI from the customer's current  
23 financial institution that the bidding rights associated with the ARS will be transferred to the  
24 CGMI; and (iii) transfer of the ARS, then CGMI shall purchase the Eligible ARS as soon as  
25 reasonably practicable but no later than December 23, 2008; or  
26

1           b.       If CGMI receives: (i) notification of acceptance of its purchase offer after December  
2 5, 2008, but within the Offer Period; (ii) assurance reasonably satisfactory to CGMI from the  
3 customer's current financial institution that the bidding rights associated with the ARS will be  
4 transferred to the CGMI; and (iii) transfer of the ARS, then CGMI shall purchase the Eligible ARS  
5 as soon as reasonably practicable but no later than the next scheduled auction date that occurs (1)  
6 after December 23, 2008, and (2) after three (3) business dates after CGMI's receipt of notification.

7           c.       CGMI shall use its best efforts to identify, contact, and assist any Eligible Customer  
8 who has transferred the ARS out of CGMI's custody in returning such ARS to CGMI's custody,  
9 and shall not charge such Eligible Customer any fees relating to or in connection with the return to  
10 CGMI or custodianship by CGMI of such ARS.

11           18. Relief for Investors Who Sold Below Par. CGMI shall make best efforts to identify any  
12 Eligible Customers who sold Eligible ARS below par between February 11, 2008, and December  
13 11, 2008. By November 5, 2008, CGMI shall pay any such identified Eligible Customers the  
14 difference between par and the price at which the Eligible Customer sold the Eligible ARS, plus  
15 reasonable interest thereon. CGMI shall promptly pay any such Eligible Customers identified  
16 thereafter.  
17

18           19. Relief Efforts for Institutional and Other Customers. CGMI shall endeavor to work with  
19 issuers and other interested parties, including regulatory and governmental entities, to  
20 expeditiously and on a best-efforts basis provide liquidity solutions, by December 31, 2009, for  
21 institutional investors and other customers that purchased Eligible ARS from CGMI on or before  
22 February 12, 2008, and are not otherwise covered by paragraph III(7), above.  
23

24           20. Refund of Refinancing Fees to Municipal Issuers. By January 1, 2009, CGMI shall refund  
25 to municipal issuers underwriting fees the issuer paid CGMI for the refinancing or conversion of  
26 their ARS that occurred after February 11, 2008, where CGMI acted as underwriter for both the

1 primary offering of ARS between August 1, 2007 and February 11, 2008, and the refunding or  
2 conversion of the ARS after February 11, 2008.

3 21. Reports to NASAA. Within twenty (20) days of the end of each month, beginning with a  
4 report covering the month ended November 30, 2008 (due on December 20, 2008) and continuing  
5 through and including a report covering the month ended December 31, 2009 (due on January 20,  
6 2010), CGMI shall submit a monthly written report detailing the efforts in which CGMI has  
7 engaged and the results of those efforts with respect to CGMI's institutional investors' holdings in  
8 ARS. The report shall be submitted to a representative specified by the North American Securities  
9 Administrators Association ("NASAA"). Beginning in March 2009, CGMI shall meet quarterly  
10 with a designated NASAA representative to discuss its progress with respect to its obligations  
11 pursuant to this Order. Such quarterly meetings shall continue until no later than December 2009.  
12 The reporting or meeting deadlines set forth above may be amended with written permission from  
13 a designated NASAA representative.  
14

15 22. Consequential Damages Claims. CGMI shall consent to participate, at the Eligible  
16 Customer's election, in the special arbitration procedures as briefly described below. Under these  
17 procedures, an arbitration process, under the auspices of the Financial Industry Regulatory  
18 Authority ("FINRA"), will be available for the exclusive purpose of arbitrating any Eligible  
19 Customer's consequential damages claim. These arbitrations will be governed by the procedures  
20 described briefly below.  
21

22 a. Arbitrator. Arbitration shall be conducted by a single public arbitrator.

23 b. Forum Fees. CGMI will pay all forum fees associated with the arbitration for  
24 Eligible Customers.

25 c. Burden of Proof. Customers shall bear the burden of proving by a preponderance of  
26 the evidence the existence and amount of consequential damages suffered as a result of the

1 illiquidity of the Eligible ARS. Although it may defend itself against consequential damage  
2 claims, CGMI shall not argue against liability for the illiquidity of the underlying ARS position or  
3 use as part of its defense any decision by the Eligible Customer not to borrow money from CGMI.

4 d. Other Damages. Eligible Customers who elect to use the special arbitration  
5 procedures provided for in this Order shall not be eligible for punitive damages, or any other type  
6 of damages other than consequential damages.

7 23. Other Proceedings/Relief. All customers, including but not limited to Eligible Customers  
8 who avail themselves of the relief provided pursuant to this Order, may pursue any remedies  
9 against CGMI available under the law. However, those customers that elect to utilize the special  
10 arbitration procedures set forth above, rather than regular arbitration at FINRA, are limited to the  
11 remedies available in the special arbitration process and may not bring or pursue a claim relating  
12 to ARS in another forum.  
13

14 **IV.**  
15 **Additional Considerations**

16 1. In consideration of the settlement, the Commission will refrain from taking legal action,  
17 excluding this Order, against CGMI with respect to CGMI's marketing and sale to its institutional  
18 investors until a date after December 31, 2009.

19 2. If payment is not made by CGMI, or if CGMI defaults in any of its obligations set forth in  
20 this Order, the Commission may vacate this Order, at its sole discretion, upon 10 days notice to  
21 CGMI and without opportunity for administrative hearing.

22 3. This Order is not intended to indicate that CGMI or any of its affiliates or current or former  
23 employees shall be subject to any disqualifications contained in the federal securities law, the rules  
24 and regulations there under, the rules and regulations of self-regulatory organizations or various  
25 states' securities laws including any disqualifications from relying upon the registration  
26

1 exemptions or safe harbor provisions. In addition, this Order is not intended to form the basis for  
2 any such disqualifications.

3 4. For any person or entity not a party to this Order, this Order does not limit or create any  
4 private rights or remedies against CGMI including, without limitation, the use of any e-mails or other  
5 documents of CGMI or of others for the marketing and sale of ARS to investors, limit or create  
6 liability of CGMI, or limit or create defenses of CGMI to any claims.

7 5. Nothing herein shall preclude Arizona, its departments, agencies, boards, commissions,  
8 authorities, political subdivisions and corporations, other than the Commission and only to the extent  
9 set forth in paragraphs III(1) and IV(1) above, (collectively, "State Entities") and the officers, agents  
10 or employees of State Entities from asserting any claims, causes of action, or applications for  
11 compensatory, nominal and/or punitive damages, administrative, civil, criminal, or injunctive relief  
12 against CGMI in connection with the marketing and sale of ARS by CGMI.

13 6. This Order shall not disqualify CGMI or any of its affiliates or current or former employees  
14 from any business that they otherwise are qualified or licensed to perform under applicable state  
15 law and this Order is not intended to form the basis for any disqualification.

16 7. This Order and any dispute related thereto shall be construed and enforced in accordance  
17 with, and governed by, the laws of Arizona without regard to any choice of law principles.

18 8. CGMI, through its execution of this Consent Order, voluntarily waives its right to a hearing  
19 on this matter and to judicial review of this Consent Order under Articles 11 and 12 of the  
20 Securities Act and Title 14 of the Arizona Administrative Code.

21 9. CGMI enters into this Consent Order voluntarily and represents that no threats, offers,  
22 promises, or inducements of any kind have been made by the Commission or any member, officer,  
23 employee, agent, or representative of the Commission to induce CGMI to enter into this Consent  
24 Order.  
25  
26

10. This Order shall be binding upon CGMI and its successors and assigns as well as to successors and assigns of relevant affiliates with respect to all conduct subject to the provisions above and all future obligations, responsibilities, undertakings, commitments, limitations, restrictions, events, and conditions.

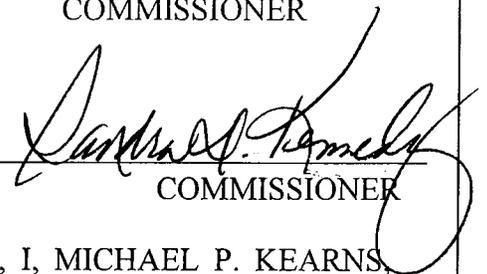
IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

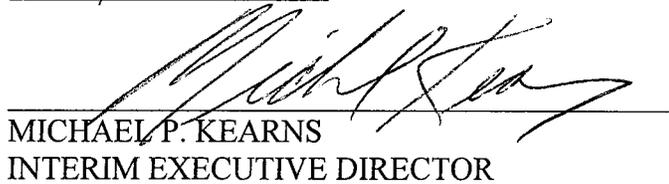


CHAIRMAN

COMMISSIONER

  
COMMISSIONER  
COMMISSIONER  
COMMISSIONER

IN WITNESS WHEREOF, I, MICHAEL P. KEARNS, Interim Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 21<sup>st</sup> day of APRIL, 2009.

  
MICHAEL P. KEARNS  
INTERIM EXECUTIVE DIRECTOR

DISSENT

DISSENT

This document is available in alternative formats by contacting Shaylin A. Barnal, ADA Coordinator, voice phone number 602-542-3931, e-mail [sabernal@azcc.gov](mailto:sabernal@azcc.gov).  
(mn)

**CONSENT TO ENTRY OF ADMINISTRATIVE ORDER BY CGMI**

1  
2 CGMI hereby acknowledges that it has been served with a copy of this Administrative  
3 Consent Order, has read the foregoing Order, is aware of its right to a hearing and appeal in this  
4 matter, and has waived the same.

5 CGMI admits the jurisdiction of the Commission, neither admits nor denies the Findings of  
6 Fact and Conclusions of Law contained in this Order; and consents to entry of this Order by the  
7 Commission as settlement of the issues contained in this Order.

8 CGMI states that no promise of any kind or nature whatsoever was made to it to induce it to  
9 enter into this Order and that it has entered into this Order voluntarily.

10 Elaine H. Mandelbaum represents that he/she is a Managing Director of CGMI and  
11 that, as such, has been authorized by CGMI to enter into this Order for and on behalf of CGMI.

12 CGMI agrees that it shall not claim, assert, or apply for a tax deduction or tax credit with regard to  
13 any state, federal, or local tax for any administrative monetary penalty that CGMI shall pay  
14 pursuant to this Order.  
15

16 Dated this 14<sup>th</sup> day of March, 2009.

17 CITIGROUP GLOBAL MARKETS INC.

18  
19 By: [Signature]  
20 Title: Managing Director

21  
22 SUBSCRIBED AND SWORN TO before me this 10 day of March, 2009.

23  
24 [Signature]  
25 Notary Public

26 My commission expires: 1-18-10

BARBARA E. BELTZ  
Notary Public, State of New York  
No. 01BE5022646  
Qualified in Richmond County  
17 Commission Expires January 18, 20 10  
Decision No. 70968