

UNITED STATES DISTRICT COURT
DISTRICT OF COLUMBIA

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

CITIGROUP, INC.,

Defendant.

Civil Action No. 10-CV-1277-ESH

**PLAINTIFF SECURITIES AND EXCHANGE COMMISSION'S MOTION TO
APPROVE DISTRIBUTION PLAN**

Plaintiff Securities and Exchange Commission (the "Commission" or "SEC") moves the Court to approve the Commission's proposed plan to distribute funds paid by defendant Citigroup, Inc. ("Citigroup" or "Defendant") to Eligible Claimants (the "Distribution Plan" or "Plan") submitted herewith.

I. Background

1. On October 19, 2010, the Court entered a Final Judgment against Defendant, holding Defendant liable for disgorgement of \$1.00, representing losses avoided as a result of the conduct alleged in the Complaint, and a civil penalty in the amount of \$75,000,000.00, pursuant to Section 20(d)(2) of the Securities Act [15 U.S.C. § 77t(d)(2)] and Section 21(d)(3), (5) [15 U.S.C. § 78u(d)(3), (5)] of the Exchange Act. The Defendant has paid the amounts ordered.

2. On December 17, 2010, the Court entered an Order appointing Damasco and Associates LLP, now known as Miller Kaplan Arase LLP, as Tax Administrator to execute and fulfill all income tax reporting requirements with respect to the Fair Fund.

3. On October 6, 2016, the court entered an Order appointing Garden City Group, LLC (“GCG”) as the Distribution Agent for the Fair Fund, to assist in overseeing the administration and the distribution of the Fair Fund in coordination with Commission staff, pursuant to the terms of the Distribution Plan.

4. The staff of the SEC, in consultation with the Distribution Agent, has formulated the attached proposed Plan. The SEC submits the Plan which provides for efficient administration of the Fund, based on the Plan of Allocation. The Plan should be approved.

II. Legal Standard for Review

a. The Court May Give Significant Deference to the SEC’s Distribution Plan.

1. Nearly every plan to distribute funds obtained in SEC enforcement actions requires choices to be made regarding the allocation of funds among potential claimants within the parameters of the amounts recovered. In recognition of the difficulty of this task, courts give the Commission significant discretion to design and set the parameters of a distribution plan. See *SEC v. Wang*, 944 F.2d 80 (2d Cir. 1991); *SEC v. Levine*, 881 F.2d 1165 (2d Cir. 1989). The court’s review of a distribution plan focuses on whether the plan is fair and reasonable. *SEC v. Fishbach*, 133 F.3d 170, 175 (2nd Cir. 1997); See Official Comm. Of Unsec. Creditors of *Worldcom, Inc. v. SEC*, 467 F.3d 73, 81 (2d Cir. 2006). (“[U]nless the consent decree specifically provides otherwise, once the district court satisfies itself that the distribution of proceeds in a proposed SEC disgorgement plan is fair and reasonable, its review is at an end”)

(citing Wang, 944 F.2d at 85)). For the reasons articulated below, the Commission believes that the proposed distribution plan for the SEC v. Citigroup, Inc. Fair Fund constitutes a fair and reasonable allocation of the funds available and should be approved.

b. The Commission's Proposed Distribution Plan Provides a Fair and Reasonable Allocation of the Fair Fund.

1. The Commission's principal goal in fashioning a distribution plan is to identify a methodology that would allocate the available funds fairly and reasonably, in a manner proportional to the injury that investors suffered as a result of the actions of the Defendant.

2. In its Complaint, the Commission alleged that from July 2007 through October 2007, Citigroup made a series of materially misleading statements concerning the extent of the company's exposure to sub-prime mortgage-related assets in earnings calls and public filings.

3. Pursuant to the Distribution Plan, the Net Available Fair Fund will be distributed to Eligible Claimants according to the Plan of Allocation, attached as Exhibit A to the Plan. The objective of the Plan of Allocation is to equitably distribute the Net Available Fair Fund proceeds to the Eligible Claimants who suffered economic losses as a result of the violations alleged in the Commission's Complaint.

4. To the extent there are sufficient funds in the Fair Fund, each Eligible Claimant will receive an amount equal to the Eligible Claimant's Recognized Claim. If, however, the amount in the Fair Fund is not sufficient to permit payment of the total claim of each Eligible Claimant, then each Eligible Claimant shall be paid the percentage of the Net Available Fair Fund that each Eligible Claimant's Recognized Claim bears to the total of the Recognized Claims of all Eligible Claimants.

III. Conclusion

WHEREFORE, for all the foregoing reasons, the Commission respectfully requests that this Court enter the attached order for Approval of the Distribution Plan and grant such other relief as the Court deems just and proper.

Dated: 1/31/2018

Respectfully submitted

A handwritten signature in blue ink, appearing to read "Adriene Mixon", written over a horizontal line.

Adriene Mixon
Assistant Chief Litigation Counsel
United States Securities and Exchange Commission
Office of Distributions
444 South Flower Street, Suite 900
Los Angeles, CA 90071
Tel: (202) 551-4463
Fax: (202) 572-1372
Email: MixonA@sec.gov

CERTIFICATE OF SERVICE

I hereby certify that on January 31, 2018, I sent a copy of the foregoing Plaintiff Securities and Exchange Commission's Motion to Approve the Distribution Plan electronically using the Court's ECF system. The document is available for viewing and downloading by the Counsel listed below via the ECF system.

Lawrence B. Pedowitz
Jonathan M. Moses
Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, NY 10019

Charles Edward Davidow
Brad S. Karp
Susanna M. Buerger
Paul, Weiss, Rifkind, Wharton & Garrison, LLP
1285 Avenue of the Americas
New York, NY 10019



Adriene Mixon
Assistant Chief Litigation Counsel
United States Securities and Exchange Commission
Office of Distributions
444 South Flower Street, Suite 900
Los Angeles, CA 90071
Tel: (202) 551-4463
Fax: (202) 572-1372
Email: MixonA@sec.gov

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA**

**SECURITIES AND EXCHANGE
COMMISSION,
100 F Street, N.E.
Washington, D.C. 20549,**

Plaintiff,

v.

CITIGROUP INC.,

Defendant.

**Civil Action No.
10-cv-1277-ESH**

DISTRIBUTION PLAN FOR CITIGROUP INC. FAIR FUND

A. Introduction

1. On July 29, 2010, the Securities and Exchange Commission (“SEC” or “Commission”) filed a complaint (“Complaint”) alleging that defendant Citigroup Inc. (“Citigroup” or “Defendant”) violated Section 17(a)(2) of the Securities Act of 1933 (“Securities Act”), Section 13(a) of the Securities Exchange Act of 1934 (“Exchange Act”) and Exchange Act Rules 12b-20 and 13a-11. The Complaint alleges that from July 2007 through October 2007, Citigroup made a series of materially misleading statements concerning the extent of the company’s exposure to sub-prime mortgage-related assets in earnings calls and public filings.¹

¹Complaint, SEC v. Citigroup Inc., 10-cv-1277 (D.D.C. 2010). On the same day the Commission filed this action against Citigroup, it instituted administrative proceedings against Citigroup’s former Chief Financial Officer, Gary Crittenden, and Citigroup’s former head of Investor Relations, Arthur Tildesley, for their roles in causing Citigroup to make certain of the misleading statements alleged in the Complaint. In their offers of settlement related to those proceedings, Messrs. Crittenden and Tildesley consented to the entry of a cease-and-desist order finding that each of them caused violations by Citigroup of Section 13(a) of the Exchange Act and Exchange Act Rules 12b-20 and 13a-11. In addition, Mr. Crittenden paid \$100,000 and Mr. Tildesley paid \$80,000 to the United States Department of Treasury.

2. The Defendant entered into consent agreements and on October 19, 2010 the Court entered Final Judgment ordering the Defendant to pay disgorgement of \$1.00, and a civil penalty in the amount of \$75,000,000.00.² Pursuant to the Final Judgment, on October 22, 2010, defendant Citigroup Inc. paid a total of \$75,000,001 to the Clerk of the Court (the “Fair Fund”) under the case name designation “*SEC v. Citigroup Inc.*, Case No. 10-cv-01277 ESH.” The Fair Fund was deposited into an interest bearing account and it constitutes a Qualified Settlement Fund (“QSF”) under Section 468B(g) of the Internal Revenue Code, and related regulations, 26 C.F.R. §§ 1.468B-1 through 5.

3. By order dated December 17, 2010, the Court appointed Damasco & Associates LLP, now known as Miller Kaplan Arase LLP, as Tax Administrator to fulfill the tax obligations of the Fair Fund.

4. By order dated October 6, 2016, the Court appointed Garden City Group, LLC as the Distribution Agent for the Fair Fund to assist in overseeing the administration and the distribution of the Fair Fund in coordination with Commission staff, pursuant to the terms of this Distribution Plan (the “Plan”). Pursuant to the Final Judgment, the Fair Fund shall be distributed pursuant to the Fair Fund provisions of Section 308(a) of the Sarbanes-Oxley Act of 2002.

5. Pursuant to a March 20, 2017 order of the United States District Court for the Southern District of New York, and pursuant to Section 308(b) of the Sarbanes-Oxley Act of 2002, as amended, \$375,000 in residual distribution funds from the related class action, *In re Citigroup Securities Litigation*, 1:07-cv-09901 (SDNY) will be deposited into the Fair Fund.

²Final Judgment as to Defendant Citigroup Inc. (D.D.C. 2010).

6. This Plan relates solely to the Fair Fund created in connection with the distribution described in the Order. Pursuant to the Final Judgment, the costs of distributing the Fair Fund shall be paid separately by the Defendant.

7. This Plan sets forth the methods and procedures for distributing the Fair Fund. The distribution methodology allocates the Fair Fund amongst Eligible Claimants based on the Plan of Allocation herein, on a *pro rata* basis.

B. Definitions

As used herein, the following definitions shall apply:

8. “Claim Deficiency Notice” shall mean the notice sent by the Distribution Agent to Potentially Eligible New Claimants whose claims are deficient in one or more ways (*e.g.*, failure to provide required information or documentation). The Claim Deficiency Notice shall advise the Potentially Eligible New Claimant of the reason(s) for the deficiency and the opportunity to cure such deficiency. Subject to certain extensions provided for in this Plan, the deadline to cure deficiencies shall be 30 days from the date of the Claim Deficiency Notice.

9. “Claimant” shall mean anyone who files a claim, including all Class Action Authorized Claimants, Class Action Deficient Claimants, and Potentially Eligible New Claimants.

10. “Claims Bar Date” shall mean the date by which a Proof of Claim Form must be postmarked received by the Distribution Agent, if not sent by U.S. Mail, to avoid the barring of any right of the Potentially Eligible New Claimants to participate in any distribution from the Fair Fund. The Claims Bar Date shall be 90 days after the Distribution Agent’s initial mailing of the Notices. Claims received after the Claims Bar Date will *not* be reviewed and evaluated, unless SEC staff so directs the Distribution Agent.

11. “Claims Determination Date” shall mean the date on or before which the Distribution Agent shall mail Determination Notices to each claimant who has filed a new or modified Proof of Claim. The Claims Determination Date shall be no later than 150 days after mailing the Claim Deficiency Notices.

12. “Class Action” shall mean the *In re Citigroup Inc. Securities Litigation, No. 07 CIV. 9901 (S.D.N.Y.) (SHS)*.

13. “Class Action Authorized Claimants” shall mean individuals or entities who filed approved claims in the Class Action. Class Action Authorized Claimants are automatically deemed Eligible Claimants with respect only to those transactions as to which a claim was previously authorized in the Class Action. Class Action Authorized Claimants who do not wish to modify their claims are not required to submit Proof of Claim Forms.

14. “Class Action Authorized Claimant Notice” shall mean the Notice that is sent to Class Action Authorized Claimants. This Notice shall inform Class Action Authorized Claimants that they will automatically be deemed an Eligible Claimant in the Fair Fund with respect to the transactions in the Class Action for which their claim was previously approved, so long as their Distribution Payment equals or exceeds the Distribution De Minimis Amount. This notice shall also inform Class Action Authorized Claimants that should they wish to amend the claim they filed in connection with the Class Action, they may do so by submitting a revised Proof of Claim in the Fair Fund administration, along with documentation supporting the additional transactions; all such amendments will be reviewed for eligibility in accordance with this Plan.

15. “Class Action Deficient Claimants” shall mean persons or entities who filed claims in the Class Action whose claims were determined to be deficient and who failed to cure such deficiencies in the Class Action.

16. “Class Action Deficient Claim Notice” shall mean the Notice that is sent to Class Action Deficient Claimants. This Notice shall inform Class Action Deficient Claimants that they will have an opportunity to cure the deficiencies in their Class Action claim by providing the required information and/or documentation. If receipt of such information and/or documentation cures their claims, Class Action Deficient Claimants will be deemed Eligible Claimants under the Plan.

17. “Court” shall mean the United States District Court for the District of Columbia.

18. “Days” shall mean calendar days, unless specified otherwise.

19. “Determination Notice” shall mean a notice, mailed by United States First Class Mail, to each Potentially Eligible New Claimant who has filed a new or modified Proof of Claim Form setting forth the Distribution Agent’s conclusion concerning the eligibility of such claim.

20. “Distribution Agent” shall mean Garden City Group, LLC or GCG, the firm appointed by the Court to administer the Plan.

21. “Distribution Payment” shall mean the payment to an Eligible Claimant in accordance with the terms of this Plan.

22. The “Distribution De Minimis Amount” is \$25.00. No Eligible Claimant shall receive a distribution unless his, her or its Distribution Payment is equal to or greater than \$25.00.

23. “Eligible Claimants” shall mean persons (other than Excluded Parties) who purchased or otherwise acquired Eligible Securities during the Relevant Period, including all Class Action Authorized Claimants.

24. “Eligible Securities” shall mean Citigroup common stock and includes Citigroup common stock acquired in Citigroup’s Voluntary FA Capital Accumulation Program (“FA Cap”).

25. “Excluded Parties” shall mean (i) the defendants named in the Complaint or in the

Class Action, (ii) members of the immediate families of the individual defendants named in the Complaint or in the Class Action, (iii) any firm, trust, partnership, corporation, present or former officer, director or other individual or entity in which any of the defendants named in the Complaint or in the Class Action have a controlling interest or which is related to or affiliated with any of the defendants named in the Complaint or in the Class Action, and (iv) the legal representatives, heirs, successors-in-interest or assigns of any such excluded persons or entities, and (v) persons or entities whose only acquisition of Eligible Securities during the Relevant Period was via gift or inheritance if the person from which the Eligible Securities were received did not themselves acquire the Eligible Securities during the Relevant Period. The Proof of Claim Form will require all Claimants, other than Class Action Authorized Claimants who do not amend their claims, to certify that that they are not an Excluded Party.

26. “Fair Fund” shall refer to all proceeds paid by the Defendant to comply with the Order, including disgorgement, prejudgment interest and civil penalties, plus any accumulated interest and earnings thereon. Pursuant to a March 20, 2017 order of the United States District Court for the Southern District of New York, and pursuant to Section 308(b) of the Sarbanes-Oxley Act of 2002, as amended, \$375,000 in residual distribution funds from the related class action, *In re Citigroup Securities Litigation*, 1:07-cv-09901 (SDNY) will be deposited into the Fair Fund.

27. “Net Available Fair Fund” shall mean the Fair Fund, less any taxes that may be assessed against the Fair Fund, and any approved fees and expenses of the Tax Administrator, plus any accumulated interest and earnings from investments thereon.

28. “Notices” shall mean, collectively, the Class Action Authorized Claimant Notice, the Class Action Deficient Claim Notice and the Potentially Eligible New Claimant Notice.

29. “Payee List” shall mean a list of Eligible Claimants and the amount of each Eligible Claimant’s Recognized Claim.

30. “Plan of Allocation” shall be the methodology used to calculate a Recognized Claim amount for an Eligible Claimant as set forth in Exhibit A and attached hereto. The Plan of Allocation is substantially similar to the plan of allocation in the Class Action.

31. “Potentially Eligible New Claimants” shall mean those persons whose names and addresses are in GCG’s Class Action database, but who never filed a claim in the Class Action and other persons asserting that they have possible eligible claims to recover from the Fair Fund.

32. The “Potentially Eligible New Claimant Notice” shall mean the Notice mailed to Potentially Eligible New Claimants. This Notice shall inform all Potentially Eligible New Claimants that they must submit a Proof of Claim Form and supporting documentation in order to participate in the Fair Fund.

33. “*Pro Rata* Share” is a computation intended to measure Eligible Claimants’ claims against one another. Should the total Recognized Claims of all Eligible Claimants exceed the Net Available Fair Fund, the Distribution Agent will distribute funds to the Eligible Claimants based upon a *pro rata* distribution formula. The Distribution Agent shall determine each Eligible Claimant’s *Pro Rata* Share of the Fair Fund based upon each Eligible Claimant’s Recognized Claim divided by the total of Recognized Claims of all Eligible Claimants, multiplied by the total amount in the Net Available Fair Fund.

34. “Proof of Claim Form” shall mean the form designed by the Distribution Agent in accordance with the terms of this Plan for the filing of a claim, and approved by Commission staff, which form shall require, at a minimum, sufficient documentation of all claimed transactions. Proof of Claim Forms will be available on the website established in connection with the Fair Fund. Claimants may also obtain a Proof of Claim Form from the Distribution

Agent via mail, email or by calling the toll-free helpline established for the Fair Fund.

35. “Recognized Claim” shall be the Eligible Claimant’s compensable allocation amount calculated pursuant to the methodology of the Plan of Allocation as set forth in Exhibit A attached hereto.

36. “Relevant Period” shall mean purchases of Eligible Securities from February 26, 2007 through April 18, 2008, inclusive; this is the same time-frame as the Class Period in the Class Action.

37. “Tax Administrator” shall mean Damasco and Associates, LLP, now known as Miller Kaplan Arase LLP, the Tax Administrator appointed by the Court.

C. Allocation of the Fair Fund amongst Eligible Claimants

38. The Net Available Fair Fund shall be distributed to Eligible Claimants as provided under the terms of the Plan of Allocation, attached hereto as Exhibit A.

39. Should the total Recognized Claims of all Eligible Claimants exceed the Net Available Fair Fund, the Distribution Agent will distribute funds to the Eligible Claimants based upon a *pro rata* distribution formula, provided that an Eligible Claimant’s Distribution Payment equals or exceeds the Distribution De Minimis Amount.

D. Administration of the Claims Procedure

General Administration Provisions

40. The Distribution Agent shall oversee the administration of the claims, procedures, and distribution as provided in this Plan. The Distribution Agent shall review all submitted claims and supporting documentation and make determinations under the criteria established herein as to the eligibility of claimants to recover monies and the amount of money to be distributed from the Net Available Fair Fund to each Eligible Claimant.

41. Any claim asserted by a Class Action Deficient Claimant or a Potentially Eligible New Claimant shall be in writing and shall provide adequate documentary evidence to substantiate the claim, including all documentary evidence that the Distribution Agent deems necessary or appropriate, including, but not limited to, if available, account statements and trade confirmations.

42. The recipient of Eligible Securities as a gift, transfer, inheritance, devise or operation of law shall be eligible to file a Proof of Claim Form and participate in the distribution of the Fair Fund only to the extent the particular donor or decedent as the actual purchaser of Eligible Securities would have been eligible. The recipient of Eligible Securities during the Relevant Period by gift, transfer, inheritance, devise, or operation of law shall not otherwise be eligible to file a Proof of Claim Form with respect to such securities, and shall not be deemed the assignee of any claim relating to the purchase of such securities unless specifically so provided in the instrument of gift or assignment. However, the donee and the donor may not both make a claim with regard to the same Eligible Securities. If both the donor and the donee make such a claim, only the claim filed by the donee will be honored.

43. Regarding claims on behalf of a retirement plan covered by Section 3(3) of ERISA, 29 U.S.C. § 1002(3), which do not include Individual Retirement Accounts, and for which such claims are properly made by the custodian or fiduciary of the retirement plan and not by the retirement plan's participants, the Distribution Agent shall distribute any payments on such claims directly to the custodian or fiduciary of the retirement plan. The distribution shall be accompanied by a list of retirement plan participants and the number of shares owned by each retirement plan participant, if that information is known to the Distribution Agent or provided to the Distribution Agent. The custodian or fiduciary of the retirement plan shall distribute any

payments received in a manner consistent with its fiduciary duties and the account or retirement plan provisions. With respect to any retirement plan that has been closed prior to the Distribution Agent's identification of Eligible Claimants, the Distribution Agent shall endeavor to distribute funds directly to the beneficial account holders of such retirement plans if the information required for such a distribution is known to or provided to the Distribution Agent prior to the Claims Bar Date.

44. The Distribution Agent shall take reasonable and appropriate steps to distribute the Fair Fund according to this Plan. The Distribution Agent will inform Commission staff of any changes needed to this Plan. Upon agreement with Commission staff, the Distribution Agent may implement immaterial changes to this Plan to effectuate its general purposes. If a change is deemed to be material by Commission staff, Court approval is required prior to implementation by amending this Plan.

45. The Distribution Agent may extend any procedural deadline contained in this Plan for good cause shown, if agreed upon by the staff of the Commission.

The Noticing Process

46. Following the entry by the Court of its order approving this Plan, the Distribution Agent shall:

- a. Design each of the Notices, which shall be submitted to Commission staff for review and approval;
- b. Create a mailing and claims database of all Class Action Authorized Claimants, Class Action Deficient Claimants and Potentially Eligible New Claimants based on the Distribution Agent's records in the Class Action;

- c. Run a National Change of Address (“NCOA”) search to retrieve updated addresses for all records in the database;
- d. Mail by United States First Class Mail a Notice to each Class Action Authorized Claimant, each Class Action Deficient Claimant and each Potentially Eligible New Claimant known to the Distribution Agent;
- e. Establish a specific website constructed for the administration of the Fair Fund, which will post the Plan, the Notices, the Proof of Claim Form and other relevant documents. The Distribution Agent will also establish a link to such a website from its own website, <http://www.gardencitygroup.com/case-list/>;
- f. Provide a copy of the Plan and Notices to Commission staff for posting to its website and request that the Commission establish a link to the Fair Fund’s website; and
- g. Establish a toll-free telephone call-in number by which Claimants can obtain information about the Fair Fund.

47. On an on-going basis, after the first Notices are mailed but before the Claims Bar Date, the Distribution Agent shall continue to supply the Notices to persons who contact the Distribution Agent requesting a copy via mail, phone or e-mail.

48. The Distribution Agent shall attempt to locate anyone whose Notice has been returned by the United States Postal Service (“USPS”) as undeliverable by conducting an NCOA search. The Distribution Agent shall immediately re-mail any returned undelivered mail for which the USPS has provided a forwarding address.

49. Additionally, the Distribution Agent may engage a third-party search firm to conduct more rigorous searches for persons whose Notice is returned as undeliverable. Additional efforts to identify new addresses for returned undelivered mail will be conducted as necessary and economically reasonable after consultation with the staff of the Commission.

50. Unless extended in consultation with the Commission staff, the claims filing period shall be no more than 90 days from the earliest date of mailing of the Notices.

51. To avoid being barred from asserting a claim, on or before the Claims Bar Date, each Class Action Authorized Claimant who chooses to amend their Class Action approved claim must submit documentation to the Distribution Agent supporting their amended claim. Further, any Class Action Deficient Claimant must submit to the Distribution Agent all required supporting documentation to cure their deficient Class Action claim, and any Potentially Eligible New Claimant who did not file a claim in the Class Action must submit to the Distribution Agent a properly completed Proof of Claim Form together with all required supporting documentation. The Distribution Agent may extend the Claims Bar Date for any claimant for good cause shown, with approval by Commission staff, in which event such extension shall constitute the Claims Bar Date for such claimant. Such decisions of the Distribution Agent and Commission staff are final and not subject to challenge. The burden shall be upon each claimant to ensure that its Proof of Claim Form has been timely received by the Distribution Agent.

Review of Claims and Notification

52. Class Action Authorized Claimants will automatically be deemed to be Eligible Claimants with respect to transactions in the Class Action for which their claim was previously approved. Class Action Authorized Claimants need not take any action unless they wish to amend the claim they filed in the Class Action.

53. Claimants who filed claims in the Class Action whose claims were determined to be deficient and who failed to cure such deficiencies (“Class Action Deficient Claimants”) may submit documentation to support their claims filed in connection with the Class Action. If such documentation cures their claims, Class Action Deficient Claimants will be eligible to be paid in connection with the Fair Fund.

54. Each person claiming to be an Eligible Claimant who is not a Class Action Authorized Claimant or a Class Action Deficient Claimant shall be required to submit a separate Proof of Claim supported by the documents specified in the Proof of Claim and in the Notices.

55. All Proof of Claim Forms must be received by the Claims Bar Date, addressed as follows:

SEC v. Citigroup Inc.
c/o GCG
PO Box 10345
Dublin, OH 43017-5545

56. Any Claimant other than a Class Action Authorized Claimant who fails to provide a complete Proof of Claim Form and adequate supporting documentation as required in this Plan, shall be forever barred from receiving any payments pursuant to the Plan.

57. The Distribution Agent shall review each new or amended Proof of Claim Form received to determine the validity and amount of such claim, together with any additional conclusions of the Distribution Agent on other issues relevant to the claim. Each claimant, other than Class Action Authorized Claimants who do not amend their claims, shall have the burden of proof to establish the validity and amount of his, her or its claim, and that he, she or it qualifies as an Eligible Claimant; and the Distribution Agent shall have the right to request, and the claimant

shall have the burden of providing to the Distribution Agent, any additional information and/or documentation deemed relevant by the Distribution Agent.

58. The Distribution Agent shall provide a Claim Deficiency Notice to each claimant who files a new or modified Proof of Claim that is deficient, in whole or in part. The Claim Deficiency Notice will set forth the reason(s) why the claim is deficient and instructions on how to cure the deficiency.

59. Any claimant who has received a Claim Deficiency Notice shall have 30 days from the date of the Claim Deficiency Notice to cure any deficiencies identified in the Claim Deficiency Notice.

60. A claimant, other than Class Action Authorized Claimants who do not amend their claims, who has failed to file an appropriate Proof of Claim in a timely manner, or who has failed to timely cure a deficiency identified in a Claim Deficiency Notice, is not permitted to object to the barring or denial of his, her or its claim on the basis that:

- a. The Distribution Agent failed to mail, or to properly mail, or that such claimant failed to receive, a copy of the Noticed, Proof of Claim Form, Claim Deficiency Notice, or the relevant Determination Notice;
- b. The Distribution Agent failed to record properly the receipt of an initial Proof of Claim Form, or a revised Proof of Claim Form to cure deficiencies, or the requisite supporting documentation; or
- c. A Claimant's name and/or proper contact information was not properly recorded in the Distribution Agent's records.

61. On or before the Claims Determination Date, the Distribution Agent shall mail by United States First Class Mail a Determination Notice to each claimant who has filed a new or

modified Proof of Claim with the Distribution Agent, setting forth the Distribution Agent's conclusion concerning such claim. In the event a claim is denied, in whole or in part, the Distribution Agent will state the reason for such denial. All Claimants have the burden of providing the Distribution Agent with any changes to his, her or its name or mailing address.

62. All determinations made by the Distribution Agent in accordance with this Plan shall be final.

63. After the Distribution Agent has completed the process of analyzing the claims and determining the amounts to be distributed as provided in this Plan, and prior to the distribution of funds from the Net Available Fair Fund, if so requested by SEC staff, the Distribution Agent shall engage an independent, third-party firm, acceptable to the Commission, to perform a set of agreed upon tasks, review a statistically significant sample of claims and ensure accurate and comprehensive application of the Plan. The Distribution Agent shall provide the Commission staff with the results of any such review, together with any written analysis or reports related to the review and, upon request, shall make the firm available to the Commission to respond to questions concerning the review.

Plan of Allocation

64. After the preliminary calculations have been made, any Eligible Claimant whose Distribution Payment would be less than the Distribution De Minimis Amount will be removed from the pool of Eligible Claimants.

65. Final calculations will then be made for all remaining Eligible Claimants on a *Pro Rata* Share basis, but excluding Eligible Claimants whose preliminary payment amount calculates to less than the Distribution De Minimis Amount, to arrive at a Recognized Claim amount.

Provisions for the Tax Administrator

66. The Tax Administrator is the administrator of the QSF, for purposes of Treas. Reg. § 1.468B-2(k)(3)(I), and shall satisfy the tax related administrative requirements imposed by Treas. Reg. § 1.468B-2, including, but not limited to:

- a. obtaining a taxpayer identification number;
- b. timely requesting funds necessary for the timely payment of all applicable taxes, the timely payment of taxes for which the Tax Administrator has received funds, and the filing of applicable returns; and
- c. fulfilling any information reporting or withholding requirements required for distributions from the Net Available Fair Fund.

67. The Distribution Agent shall cooperate with the Tax Administrator in providing any information necessary to ensure income tax compliance.

68. All taxes will be paid from the Fair Fund, subject to the review and approval of Commission staff.

Procedures for Distributing the Fair Fund

69. The Distribution Agent shall distribute the Net Available Fair Fund to all Eligible Claimants only after all timely submitted Proof of Claims have been processed and all Potentially Eligible New Claimants whose claims have been rejected or disallowed, in whole or in part, have been notified and provided the opportunity to cure pursuant to the procedures set forth above.

70. The Distribution Agent shall prepare a Payee List. The Recognized Claim amount recorded in the Payee List will be in an amount adjusted for reserves for the fees and expenses of the Tax Administrator and taxes, as requested by the Tax Administrator and approved by Commission staff.

71. The Distribution Agent will also provide a “reasonable assurances letter” to the Commission staff, representing that the Payee List: (a) was compiled in accordance with this Plan; (b) is accurate as to Eligible Claimants’ names, addresses, and Recognized Claim amounts; and (c) provides all information necessary to make to each Eligible Claimant a payment equal to the amount of the applicable Recognized Claim amount for such Eligible Claimant.

72. Upon receipt of the Payee List and reasonable assurances letter, the Commission staff will seek an order from the Court to disburse the funds identified in the Payee List in accordance with the provisions of this Plan. Upon issuance of an order to disburse by the Court, Commission staff will direct the transfer of funds to the “Escrow Account.” The Distribution Agent shall then distribute the funds to Eligible Claimants as provided for in this Plan.

73. Prior to disbursement of the Net Available Fair Fund, the Distribution Agent will establish account(s) described in the following paragraph at a United States commercial bank (the “Bank”), that is acceptable to the staff of the Commission.

74. The Distribution Agent shall establish with the bank an Escrow Account pursuant to an escrow agreement (the “Escrow Agreement”) to be provided by the staff of the Commission, in the name of and bearing the Employer Identification Number (“EIN”) of the QSF as described above. The Distribution Agent shall also establish with the Bank a separate “Deposit Account” (e.g. controlled distribution account, managed distribution account, linked checking and investment account) for the purpose of funding distribution payments to be distributed to Eligible Claimants by the Distribution Agent pursuant to this Plan. The name of each account shall be in the following form: Citigroup Fair Fund (EIN XX-XXXXXXX), as custodian for the benefit of investors allocated a distribution pursuant to the Plan in *SEC v. Citigroup Inc., Case No. 10-cv-01277 (ESH)*.

75. During the term of the Escrow Agreement, if invested, the Escrow Account shall be invested and reinvested in short-term United States Treasury securities backed by the full faith and credit of the United States Government or an agency thereof, of a type and term necessary to meet the cash liquidity requirements for payments to Eligible Claimants, and tax obligations, including investment or reinvestment in a bank account insured by the Federal Deposit Insurance Corporation (“FDIC”) up to the guaranteed FDIC limit, or in money market mutual funds registered under the Investment Company Act of 1940 that invest 100% of their assets in direct obligations of the United States government. The Distribution Agent shall provide duplicate original bank and/or investment statements on any accounts established by the Distribution Agent to the Tax Administrator on a quarterly basis and shall assist the Tax Administrator in obtaining mid-cycle statements, as necessary.

76. The Distribution Agent shall deposit or invest funds in the Escrow and Deposit Accounts so as to result in the maximum reasonable net return, taking into account the safety of such deposits or investments. In consultation with the staff of the Commission, the Distribution Agent shall work with the Bank on an ongoing basis to determine an allocation of funds between the Escrow and Deposit Accounts.

77. All funds shall remain in the Escrow Account, separate from bank assets, pursuant to the Escrow Agreement until needed to satisfy a presented check. All checks presented for payment or electronic transfer will be subject to “positive pay” controls (e.g. check number and check amount) before they are honored by the Bank, at which time funds will be transferred from the Escrow Account to the distribution account to pay the approved checks.

78. All payments to Eligible Claimants shall be preceded or accompanied by a communication that includes, as appropriate: (a) a statement characterizing the distribution; (b) a

statement that the tax treatment of the distribution is the responsibility of each recipient and that the recipient should consult his, her or its tax advisor for advice regarding the tax treatment of the distribution; (c) a statement that checks will be void after 90 days; and (d) contact information for the Distribution Agent, to be used in the event of any questions regarding the distribution. Any such information letter or other mailing to recipients characterizing their distributions shall be submitted to the staff of the Commission for review and approval. Distribution checks, on their face, or in the accompanying mailing will clearly indicate that the money is being distributed from a Fair Fund overseen by the Commission to compensate investors for harm as a result of securities law violations.

79. The Distribution Agent, and/or each of its designees, agents and assistants, shall be entitled to rely on all outstanding rules of law and any Orders issued by the Commission, the Court; and/or any investor information provided by the Court or Commission staff.

80. The submission of the Proof of Claim Form and the receipt and acceptance of a distribution by an Eligible Claimant is not intended to be a release of an Eligible Claimant's rights and claims against any party.

81. All checks will bear a stale date of 90 days from the date of the check. Checks that are not negotiated before the stale date shall be voided and the issuing financial institution shall be instructed to stop payment on those checks. An Eligible Claimant's claim will be extinguished if he, she or it fails to negotiate his, her or its check by the stale date, and the funds will remain in the Fair Fund. If a check reissue has been requested before the stale date, such request is governed by the following section.

Uncashed Checks and Reissues

82. The Distribution Agent shall use its best efforts to make use of reasonable

commercially available resources and other reasonably appropriate means to locate all Eligible Claimants whose checks are returned to the Distribution Agent as undeliverable by the U.S. Postal Service, and will reissue checks to Eligible Claimants who are located to the extent a new address is identified. Such reissued checks will be void at the later of 90 days from the issuance of the original check or 30 days from the reissuance, and in no event will a check be reissued after 90 days from the date of the original issuance without approval from the Commission staff. Where new address information is not available after a diligent search (and in no event later than 90 days after the initial mailing of the original check), the check shall be voided and the Distribution Agent shall instruct the issuing financial institution to stop payment on such check.

83. The Distribution Agent shall reissue checks to Eligible Claimants upon the receipt of a valid written request from an Eligible Claimant. In cases where an Eligible Claimant is unable to endorse a disbursement check as written (*e.g.*, name change as a result of marriage, divorce or death), and the Eligible Claimant or its lawful representative requests the reissuance of a disbursement check under a different name, the Distribution Agent will request, and must receive, documentation supporting the change. The Distribution Agent will review the documentation to determine the authenticity and propriety of the change request. If such change request is properly documented, the Distribution Agent will issue an appropriately redrawn check to the requesting party. Such reissued checks will be void at the later of 90 days from the issuance of the original check or 30 days from the reissuance, and in no event will a check be reissued after 90 days from the date of the original issuance without the approval of Commission staff.

84. In addition, the Distribution Agent will make reasonable efforts to contact Eligible Claimants to follow up on the status of uncashed Distribution Payments over \$1,000 (other than

those returned as “undeliverable”) and take appropriate action to follow up on the status of uncashed checks at the request of Commission staff. The Distribution Agent may reissue such checks, subject to the time limits detailed herein.

Residual Funds and Final Accounting

85. Approximately one year following initial distribution, after all taxes of the Net Available Fair Fund have been satisfied, if there are remaining funds from uncashed checks the Commission staff may at its discretion direct the Distribution Agent to distribute those residual funds to Eligible Claimants, if any, who filed claims with the Distribution Agent after the Claims Bar Date or who were late in curing a previously rejected claim. The late Eligible Claimants will receive a distribution payment up to the Recognized Claim amount that would have been received if the claim had been filed on time.

86. If any funds remain after the payment of claims that were filed late or cured after the Claims Bar Date, or if no such claims exist, Commission staff may at its discretion direct the Distribution Agent to allocate those residual funds on a pro rata basis to all Eligible Claimants who cashed a distribution check or received a wire and who would receive at least the Distribution De Minimis Amount from such redistribution.

87. If, after consultation between the Distribution Agent and Commission staff, any further distribution is not deemed cost effective, the remaining funds may be transmitted to the Commission for transfer to the Treasury after all reports and accountings have been completed, as provided below.

Filing of Reports and Accountings

88. The Distribution Agent shall provide to the Commission staff and file with the Court a progress report and a quarterly account statement in a format to be provided by

Commission staff, within 45 days of the Court approval of this Plan, and shall provide to Commission staff and file additional reports and quarterly account statements within 20 days after the end of every calendar quarter. Such progress reports shall inform the Court and the staff of the Commission of the activities and status of the Fair Fund during the requested reporting period, and shall specify, at a minimum, the location of the account(s) comprising the Fair Fund, including among other things, an interim accounting of all monies in the Fair Fund.

89. When the final distribution is completed, the Distribution Agent shall provide to Commission staff a final report summarizing all tasks undertaken and the outcome of its administrative efforts. The Distribution Agent shall make arrangement for the final payment of taxes, submit a final accounting of all monies received, earned, spent, and distributed in connection with the administration of this Plan in a format provided by the staff of the Commission, and arrange to have any remaining funds paid to the Commission for transfer to the Treasury.

90. Pursuant to Commission direction, the Distribution Agent will either turn over to the SEC or destroy all documents, including documents in any media, 6 years after the approval of the final accounting. In addition, the Distribution Agent will shut down the toll-free number and website established specifically for the administration of the Fair Fund upon the transfer of any remaining funds to the Commission.

EXHIBIT A

PLAN OF ALLOCATION

This Plan of Allocation provides for distribution of the Fair Fund to Eligible Claimants.

The Fair Fund will be distributed to Eligible Claimants as described below:

CALCULATION OF RECOGNIZED CLAIM FOR COMMON STOCK

For shares of Citigroup common stock purchased or otherwise acquired between February 26, 2007 and April 18, 2008, inclusive, the Recognized Loss Amount will be calculated as set forth below:

A. For shares held at the end of trading on July 17, 2008, the Recognized Loss Amount shall be that number of shares multiplied by the lesser of:

- (1) the applicable purchase/acquisition date artificial inflation per share figure, as found in Table A below; or
- (2) the difference between the purchase/acquisition price per share and \$21.07.

B. For shares sold between February 26, 2007 and April 18, 2008, inclusive, the Recognized Loss Amount shall be that number of shares multiplied by the lesser of:

- (1) the applicable purchase/acquisition date artificial inflation per share figure less the applicable sale date artificial inflation per share figure, as found in Table A; or
- (2) the difference between the purchase/acquisition price per share and the sale price per share.

C. For shares sold between April 19, 2008 and July 17, 2008, inclusive, the Recognized Loss Amount shall be the lesser of:

- (1) the applicable purchase/acquisition date artificial inflation per share figure, as found in Table A;

- (2) the difference between the purchase/acquisition price per share and the sale price per share; or
- (3) the difference between the purchase/acquisition price per share and the average closing price of Citigroup common stock on date of sale.

D. An Eligible Claimant's Recognized Claim under the Plan of Allocation will be the sum of his, her or its Recognized Loss Amounts.

E. If an Eligible Claimant had an overall actual market gain from his, her or its transactions in Citigroup common stock during the Relevant Period, the value of his, her or its Recognized Claim will be zero. If the Eligible Claimant suffered an overall actual market loss on his, her or its transactions in Citigroup common stock during the Relevant Period, but that market loss was less than the Eligible Claimant's Recognized Claim calculated above, then the Eligible Claimant's Recognized Claim will be limited to the amount of the actual market loss.

F. For purposes of determining whether a Claimant had an overall market gain with respect to his, her or its overall transactions in Citigroup common stock during the Relevant Period or suffered an overall market loss, the Distribution Agent will determine the difference between the Total Purchase Amount³ and the sum of the Total Sale Proceeds⁴ and Holding Value.⁵ This difference will be deemed a Claimant's overall actual market gain or loss with respect to his, her or its transactions in Citigroup common stock during the Relevant Period.

³ Total Purchase Amount is the total amount paid by the Eligible Claimant for all Citigroup common stock during the Relevant Period less commissions and fees.

⁴ Total Sales Proceeds means the amount received for sales of Citigroup stock purchased or otherwise acquired by the Eligible Claimant during the Relevant Period and sold on or by July 17, 2008 as matched pursuant to LIFO less commissions and fees.

⁵ The Holding Value is \$21.07 per share, the mean closing price of Citigroup common stock during the 90- day period beginning on April 19, 2008 and ending on July 17, 2008.

G. There shall be no Recognized Loss Amount calculated on short sales of Citigroup common stock during the Relevant Period or for purchases during the Relevant Period that were made in order to cover short sales; however, any market gains on short sales shall be offset against Recognized Loss Amounts on other transactions using the greater of: (1) the Artificial Inflation per share on the date of purchase (see Table A) minus the Artificial Inflation per share on the date of sale (see Table A); or (2) the purchase price per share minus the sale price per share.

H. For shares purchased due to the assignment of a sold put option, the date of the purchase of the shares shall be the date that the put option was sold.

CALCULATION OF RECOGNIZED CLAIM FOR JANUARY 2007, JANUARY 2008 AND JULY 2008 FA CAP SHARE AWARDS

For shares of Citigroup common stock awarded through the FA Cap award program on July 1, 2007, January 2, 2008 and July 1, 2008, the Recognized Claim per share shall be determined as follows:

July 1, 2007:

For FA Cap shares awarded on this date at a price of \$39.53 per share, the Recognized Claim shall be \$4.12 per share.

January 2, 2008:

For FA Cap shares awarded on this date at a price of \$30.59 per share, the Recognized Claim shall be \$3.68 per share.

July 1, 2008:

For FA Cap shares awarded on this date at a price of \$17.15 per share, the Recognized Claim shall be \$0.05 per share.

FA CAP LOCK UP PERIOD

The FA cap shares were subject to a 2-year lockup period. Accordingly, in applying the Plan of Allocation, the FA Cap shares cannot be matched against subsequent sales when applying a LIFO matching of relevant period purchases and sales. Only open market purchases can be matched to open market sales, if any, by Eligible Claimants who had open market purchases as well as to FA Cap purchases during the Relevant Period.

It is because of the aforementioned lockup that the per share Recognized Claim for any FA Cap purchase during the Relevant Period is equal to the “Artificial Inflation Per Share” applicable to the purchase date with no reduction on account of the sale date. Because of the lockup, none of the FA Cap shares were sold prior to July 17, 2008.

ACQUISITION BY GIFT, INHERITANCE OR OPERATION OF LAW

Subject to the limitations set forth in the Plan, if an Eligible Claimant acquired the Eligible Security by way of gift, inheritance, devise or operation of law, such claim will be computed using the date and price of the original purchase and not the date and price of transfer, gift or inheritance. To the extent those shares were originally purchased prior to commencement of the Recovery Period, the Recognized Claim for that acquisition shall be \$0.00.

USE OF “LIFO” METHODOLOGY FOR COMPUTATION OF RECOGNIZED CLAIMS FOR ELIGIBLE CLAIMANTS WHO MADE MULTIPLE TRANSACTIONS IN ELIGIBLE SECURITIES DURING THE RELEVANT PERIOD

All purchases/acquisitions and sales of Eligible Securities in the Relevant Period shall be matched on a Last-In-First-Out (“LIFO”) basis; sales during the Relevant Period and the 90 days thereafter will be matched first against the most recent Eligible Securities purchased during that period that have not already been matched to sales under LIFO, and then against prior purchases/acquisitions in backward chronological order, until the beginning of the Relevant

Period. A purchase/acquisition or sale of Eligible Securities shall be deemed to have occurred on the “contract” or “trade” date as opposed to the “settlement” or “payment” date. However, (a) for Eligible Securities acquired pursuant to a corporate merger or acquisition, the purchase of the Eligible Securities shall be deemed to have occurred on the date that the merger agreement was executed, and (b) for Eligible Securities that were put to investors pursuant to put options sold by those investors, the purchase of the Eligible Securities shall be deemed to have occurred on the date that the put option was sold, rather than the date on which the stock was subsequently put to the investor pursuant to that option, as noted above. The proceeds of any put option sales shall be offset against any losses from shares that were purchased as a result of the exercise of the put option.

| Table A | |
|--|---------------------------------------|
| Purchase/Acquisition or Sale Date Range | Artificial Inflation Per Share |
| 2/26/07-11/4/07 | \$4.94 |
| 11/5/07 | \$3.38 |
| 11/6/07-11/18/07 | \$1.72 |
| 11/19/07-1/14/08 | \$1.15 |
| 1/15/08 | \$0.71 |
| 1/16/08-4/18/08 | \$0.10 |