

## ITEM 1. COVER PAGE

September 23, 2021  
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New York, NY 10013

### **Citi Personal Wealth Management**

(833) 828-4533 (toll-free in the U.S.)

<https://investments.citi.com/pwm>

## **Citigroup Global Markets Inc. Citi Wealth Builder Program**

### **Form ADV Part 2A (Appendix 1): Firm Brochure**

This wrap fee brochure provides information about the qualifications and business practices of Citigroup Global Markets Inc. (“CGMI”) and the services CGMI offers to clients of Citi Personal Wealth Management that enroll in the Citi Wealth Builder Program. If you have any questions about the contents of this brochure, please contact us at (833) 828-4533 (toll-free in the U.S.). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

**Additional information about CGMI is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Where we refer to ourselves as a “registered investment adviser” or “registered”, that registration does not imply a certain level of skill or training.**

Citi Personal Wealth Management is a business of Citigroup Inc. (“Citigroup”) that offers investment products and services through CGMI, member FINRA and SIPC. CGMI accounts are carried by Pershing LLC, member FINRA, NYSE, SIPC.

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## **ITEM 2. MATERIAL CHANGES**

Since our annual update filed on March 30, 2021, the following material changes were made.

Item 4.A.2 was updated to reflect the following changes to the Program:

- CIM provides certain Models offered in the Program, including Models that incorporate environmental, social, and governance considerations (“ESG”) which contain certain risks detailed in Item 4.A.5.
- The minimum investment amount for Invesco Models was reduced from \$1,500 to \$1,000.
- We reduced the Rate for applicable accounts from 0.55% to 0.25%.
- We added an Account Designation for Citi@Work, which is a program available to certain individuals whose employers engage Citi for corporate banking and other financial services.

Item 4.A.4 was updated to reflect changes to Citi Wealth Builder’s sweep program, which now sweeps cash balances exclusively into eligible money market mutual funds.

Please read the full brochure for additional information regarding the changes described above. Capitalized terms used in this section have the meanings assigned to them in the main body of the brochure.

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## **ITEM 4. SERVICES, FEES & COMPENSATION**

### **A.1. Introduction**

This brochure provides information about Citigroup Global Markets Inc. (“CGMI”) and the investment advisory services it provides to clients of Citi Personal Wealth Management (“CPWM”) that enroll in the Citi Wealth Builder Program (the “Program”). The Program provides automated, “robo”-advisory services. CPWM is a business unit of Citigroup Inc. (“Citigroup”), and CGMI is a subsidiary of Citigroup. CGMI is registered as an investment adviser and a broker-dealer with the U.S. Securities and Exchange Commission (the “SEC”). CGMI will serve as the client’s investment adviser in connection with the Program. CGMI may determine to delegate certain of the services described below to one or more of its affiliates and/or third parties.

Clients should read and consider carefully the information contained in this brochure. While CGMI believes that its professional investment advice can benefit many clients, there is no assurance that the objectives of any client in the Program will be achieved.

### **A.2 Description of the Citi Wealth Builder Program; CGMI’s Advisory Services**

#### ***The Program***

In the Program, a client’s assets will be invested according to defined asset allocation models (each, a “Model”) that are recommended based on the client’s investment objectives and investment risk profile. Pershing LLC (together with certain of its affiliates, “Pershing” or “Clearing Firm”) provides custody and clearing services for client accounts and also provides trade execution and related services to implement the investments recommended by the Models. To enroll in the Program, clients must first enter into a Program agreement (a “Program Agreement”) with CGMI. In the Program Agreement, the client appoints CGMI to act as the client’s investment adviser and agent and to provide certain services related to the Program.

The Program is offered to clients through an online technology platform provided by Intelliflo, Inc. (“Intelliflo”). Intelliflo is a SEC-registered investment adviser and a subsidiary of Invesco (as defined below). Intelliflo, however, does not act as an investment manager or adviser in connection with the Program but rather acts as a technology service provider of investment technology that allows clients to have their accounts serviced through a web-based, mobile application, or digital platform that features paperless onboarding processes.

In connection with entering into a Program Agreement, the client, through an application made available on the Program website (the “Application”), completes a questionnaire (the “Questionnaire”) designed to elicit information about the client’s investment risk profile, investment objectives, anticipated investment time horizon, and the client’s preference regarding investment style (e.g., Track an Index versus Integrate Sustainability Criteria versus Incorporate Active Management). The Application recommends a Model based on the client’s answers to the Questionnaire. Each Model offered through the Program represents a different asset allocation. The Models include portfolios comprising exchange-traded funds (“ETFs”), as well as cash and cash equivalents. In the case of Models with an active management style, the portfolios also include mutual funds.

Certain Models offered in the Program (the “Invesco Models”) are developed and maintained by Invesco Advisers, Inc., which is owned and controlled by Invesco, Inc. (together with its affiliates, including the Invesco Advisers, Inc., “Invesco”). Invesco is a global financial services company that is not affiliated with CGMI. Invesco has licensed the Models for use by CGMI. Invesco is responsible for setting the asset allocation strategy of the Invesco Models, selecting the underlying investment holdings of the Invesco Models, and recommending adjustments to the Invesco Models and their underlying investments from time to time. Invesco does not serve as an investment adviser to the clients who participate in the Program. The Invesco Models exclusively recommend investments in ETFs sponsored and/or advised by Invesco (each, an “Invesco ETF”) and cash and cash equivalents. Invesco will not consider whether ETFs sponsored and/or advised by parties other than Invesco have a better performance record or otherwise present more attractive investment opportunities than the Invesco ETFs. The Invesco Models have an investment minimum of \$1,000.

Citi Investment Management (“CIM”) is a business of Citigroup Inc. that operates through Citigroup Global Markets Inc. (CGMI) and other Citi affiliates. CIM is responsible for setting the asset allocation strategy of the other Models offered in the Program (each, a “CIM Model”), selecting the underlying investment holdings of the CIM Models, and recommending adjustments to the CIM Models from time to time. CIM does not serve as an investment adviser to the clients who participate in the Program.

Certain CIM Models are designed, in part, with consideration of sustainable investing criteria, which is the umbrella term for the various approaches to investing that align environmental, social and governance (“ESG”) principles (the “ESG Models”). The ESG Models are made available to clients who have a preference for a sustainable investment strategy. The ESG Models consist of ETFs. Other CIM Models incorporate active management and consist of ETFs and

mutual funds. All CIM Models include an allocation to cash and cash equivalents. The CIM Models do not include ETFs or mutual funds that are sponsored and/or advised by affiliates of CGMI. The CIM Models have an investment minimum of \$10,000.

CIM and Invesco are referred to herein individually as a “Model Provider” and together as the “Model Providers.” As noted above, the minimum initial and ongoing account balance is \$1,000 for the Invesco Models and \$10,000 for the CIM Models. These minimums may be reduced in CGMI’s sole discretion.

Pursuant to the Program Agreement, the client authorizes CGMI to direct the purchase and sale of securities for the client’s account in accordance with the Model recommended by the Application (which recommendation, in turn, is based on the client’s responses to the Questionnaire). The applicable Model Provider delivers the Model (and any updates to the Model) to CGMI, and CGMI in turn delivers the Model (and any updates to the Model) to Clearing Firm. Upon receipt of the Model, Clearing Firm executes transactions for the client’s account in the recommended securities, subject to any reasonable investment restrictions that the client imposes. CGMI separately contracts with Invesco concerning the terms of its participation in the Program.

CGMI provides investment advice through the Program exclusively through an interactive web-based, mobile application, or digital platform (the “Site”). The method for providing investment advice to clients through the Application may be different from other investment advisory relationships with which clients are familiar, and prospective clients must be willing to receive investment advice exclusively through the Site platform to use the services provided under the Program. In particular, clients must complete the Questionnaire without the guidance of a CGMI financial advisor. The process used to make investment recommendations through the Application may not elicit the same information as a face-to-face interview with a financial advisor. CGMI provides technical support and certain limited educational materials over the telephone and internet related to clients’ use of the Application, but such support is educational in nature or related to the technical use of the Application and is not, and should not be construed as, investment advice relating to the Program.

Investments made through the Program are inherently speculative and involve the risk of loss of capital. No guarantee or representation is made that the Program or any investment will achieve its objectives or that losses will be avoided. The past performance of an investment made through the Program is not indicative of future performance. Neither CGMI nor any of its affiliates makes any representations or warranties in this brochure with respect to the present or future level of risk or volatility in the Program or any investment, or the Program’s or any investment’s future performance or activities.

### ***Re-balancing***

The investments in the client’s account and the proportions in which they are held will generally be rebalanced at least once in each calendar year, and may be rebalanced more frequently. Rebalancing will occur automatically (*i.e.*, at our discretion) to align with the information and preferences specified by the client in the Questionnaire and the investment allocations recommended by the Model that the client selects. Any rebalancing transactions may affect the market value of the account, and may also have tax consequences.

### ***Evaluation and Selection of Investment Strategies***

The Application recommends a Model based on the client’s answers to the Questionnaire. The Models offered in the Program are based on investment strategies designed by each Model Provider. Each investment strategy offered in the Program must meet the CitiAccess research standard, the CitiFocus research standard, or the standards set by the Forum for the Review and Approval of Managers (“FRAM”). (see “Item 6.A—Research in Advisory Programs”). In the event that CGMI determines that an investment strategy on which a client’s Model is based is no longer approved for the Program (“Unapproved Strategy”), (x) a replacement investment strategy and a corresponding replacement Model will be selected by CGMI, and the portion of the client’s account that is invested in the Unapproved Strategy will be liquidated and the proceeds will be reinvested in accordance with the replacement strategy and corresponding replacement Model (and CGMI or an affiliate will notify the client of such replacement strategy and corresponding replacement Model), or (y) CGMI will terminate the Program Agreement by providing written notice to the client.

CGMI maintains a “Watch” policy for Models provided by Invesco that have been approved for the Program. CGMI’s Watch policy is more fully described in “Item 6.A—Research in Advisory Programs.” A Watch status may, but is not certain to, result in a change of the Model’s recommended status. Models provided by CIM are not subject to the Watch policy, but are subject to ongoing review regarding their appropriateness as an investment option in the Program.

Additionally, notwithstanding the foregoing, if CGMI’s relationship with Invesco is terminated for any reason, CGMI may (i) terminate the client’s Program Agreement upon written notice to an applicable client, or (ii) select a new unaffiliated model provider for the Program. In the event that CGMI selects an unaffiliated new model provider for the

Program, CGMI may amend an applicable client's Program Agreement to reflect the appointment of such new model provider.

### ***Account Information***

CGMI (either directly or indirectly) confirms all transactions executed for the account and provides account statements at least quarterly. CGMI, Clearing Firm or one of their respective designees also delivers to clients copies of the prospectuses for the ETFs and/or mutual funds in which they invest.

### ***Fees***

Clients participating in the Program pay CGMI an annual asset-based fee. The fee includes all fees or charges of CGMI and Clearing Firm, including investment advice, brokerage commissions for trades executed at Clearing Firm, Clearing Firm's custodial charges and fees payable to the applicable Model Provider. The fee does not include the fees and expenses charged by the ETFs and/or mutual funds in which the client invests. Additionally, the fee does not include the following: (a) fees or charges for services provided by CGMI, an affiliate (if applicable) or third parties that are outside the scope of the Program (e.g., retirement plan administration fees, trustee fees, wire transfer fees, *etc.*); (b) any and all taxes and fees or their equivalent imposed by exchanges or regulatory bodies; and (c) certain other fees and charges described herein. For more information relating to fees, see "Item 4.C– Additional Information Regarding Fees and Charges" and "Item 9.B.3–Client Referrals and Other Compensation."

The annual asset-based fee is calculated based on the average daily balance of a client's account during the billable quarter. The fee is paid quarterly in arrears and is due on the first business day following the end of each calendar quarter. The Fee rate (the "**Rate**") differs based on the Client's Citibank account designation (such as "Citigold Private Client", "Citigold", "Citi Priority", "Citibank", "Basic Banking" account packages or other Citibank account packages, or designations such as "Citi@Work") (each, an "**Account Designation**"), in accordance with the following table:

Account	Citibank Account Designation			
	Citigold® (Including Citigold® Private Client)	Citi Priority	Citi@Work	All Other Account Designations
<i>Initial Program Account - Annual Fee Rate</i>	Waived	Waived	Waived	0.25%
<i>Subsequent Program Accounts – Annual Fee Rate</i>	0.25%	0.25%	0.25%	0.25%

The Rate will automatically be adjusted in the event that the Account Designation applicable to the client changes, including as a result of a change to the Citibank, N.A. checking and savings accounts linked by the client to the Program account. For clients that participate in the Citi@Work program, the Account Designation applicable to the client also may change if the client's employer no longer participates in Citi@Work. Citi@Work is a program available to certain individuals whose employers engage Citi for corporate banking and other financial services. Any Account Designation change may result in an adjustment (either an increase or a decrease) to the Rate in accordance with the table set forth above.

CGMI will promptly notify the client of any changes to the Rate resulting from changes to the Account Designation of client's Account, which notice may be delivered after the effective date of any new Rate. The Rate applicable to a particular Account Designation can be changed by CGMI at any time, upon written notice to client. Employees of Citigroup and its affiliates are eligible for the same Rate as Citigold Account Designation identified on the above table.

Fees are generally payable quarterly in arrears and will become due on the first business day following the end of each calendar quarter. CGMI pays a portion of the asset-based fees it receives from clients to Clearing Firm and to Intelliflo.

### ***Termination of Program Agreement***

Either party may terminate a client's Program Agreement at any time upon written notice to the other, and termination will become effective upon delivery of such notice. A client may also terminate its Program Agreement by providing telephonic notice to CGMI.

Upon termination of a client's Program Agreement, the client may elect to have CGMI liquidate the client's account or convert the client's account to non-managed status. If a client's account is converted to non-managed status, the client will have exclusive responsibility for all investment and other decisions affecting such account, and neither CGMI nor its affiliates will: (i) be under any obligation to recommend any action with regard to, liquidate, or monitor the investments in such account, (ii) take any action or notify the client, including with respect to any corporate actions or proxies applicable to investments held in such account, or (iii) be liable for any depreciation in the value of the investments held in such account or any failure to recommend any action or take any action with respect to such investments.

### **A.3. Clearing, Custody and Execution Services**

Pershing acts as clearing firm and/or custodian of client assets in connection with the Program. Pershing is a "qualified custodian" within the meaning of Rule 206(4)-2 under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), otherwise known as the "Custody Rule."

In its capacity as clearing firm, Pershing provides a variety of services for the Program. These services include, without limitation, holding client account assets in custody, settling transactions, sending trade confirmations, account statements and tax reporting documentation, and other operational account-related services. Pershing will not provide (and should not be construed as providing) clients with any investment advice in connection with the Program. CGMI reserves the right at any time, and without notice to clients, to terminate the delegation of some or all of these custody and clearing services and to assume or further delegate responsibility for such services.

Clearing Firm also executes transactions for the client's account in accordance with the Model recommended by the Application (which recommendation, in turn, is based on the client's investment style preference and responses to the Questionnaire), subject to any reasonable investment restrictions that the client has imposed.

In CGMI's sole discretion, at any time and for any reason, CGMI may engage an alternative broker-dealer to execute transactions for a client's account. If there is a disruption in the services provided by Clearing Firm for any reason, CGMI or an affiliate may execute transactions for the account during the period of the disruption. This may impact account performance.

In executing transactions for the account, Clearing Firm may act on an agency or principal basis, to the extent permitted by law and subject to applicable restrictions, and will be entitled to compensation for its services. Because transactions for the account will generally be executed exclusively through Clearing Firm, the prices at which transactions are executed may be less favorable for the client than would be the case if another broker-dealer were used.

Some or all transactions effected by Clearing Firm for the client's account may be aggregated with transactions for other clients of CGMI, Clearing Firm or one of their respective affiliates and may be subsequently allocated to the client's account at an average price. Clearing Firm may also from time to time and at its discretion act as principal (to the extent permitted by law) with respect to aggregated orders that result in allocations to the client's account at an average price. The client's confirmations will identify when a transaction was effected at an average price, the average price at which it was effected, and if so, whether CGMI acted as principal or agent for the transaction. When a transaction for the client's account is aggregated with transactions effected for other accounts, the price at which the aggregated transaction is effected may be less favorable for the client's account than would be the case if the relevant security or other financial product was transacted for the client's account individually. Clearing Firm maintains policies and procedures designed to ensure that aggregated transactions are effected on a fair and equitable basis.

### **A.4. Sweep Programs**

Cash balances in the Program Account will be invested or "swept" automatically into an eligible money market mutual fund (each, a "**Sweep Fund**") selected by CGMI in its sole discretion. In entering into a Program Agreement, Client will authorize CGMI, without any further direction from Client, to sweep or invest each business day all cash balances in the Program Account in excess of \$0.01 be automatically invested or swept every business day into the Sweep Fund that CGMI selects. The prospectus for each Sweep Fund will be provided to Client, as required under applicable law.

## **A.5. Certain Risks**

### ***Risks Related to Investments in ETFs***

An ETF is an investment company that allows investors to purchase an undivided interest in a portfolio of securities and other assets. An ETF's portfolio may consist of stocks, commodities, and other financial assets to achieve the investment objectives stated in the ETF's prospectus. ETFs, like other investments, are subject to certain risks. Returns are not guaranteed. NAVs may be volatile and an investor in an ETF could lose the entire amount of his or her investment. Investing in ETFs that invest in international, aggressive growth stocks, or less liquid securities may only be appropriate for clients whose investment profile allows them to assume the risks associated with those funds. Unlike mutual funds, shares of ETFs are listed and traded on securities exchanges.

The market price for ETF shares may be higher or lower than the ETF's net asset value. Shares of ETFs may at times be acquired by CGMI for a client's account at market prices representing premiums to their net asset values. In addition, ETFs held in a client's account could trade at a discount from their net asset values, and such discount could increase while the ETFs are held in the account. If the market price of shares of an ETF decreases below the price at which CGMI purchased the shares for the client's account, and CGMI were to sell such shares for the account at a time when the market price is lower than the price at which it purchased the shares, the account would experience a loss.

Investments in ETFs also involve the risk that the ETF's performance may not track the performance of the index (if any) the ETF is designed to track. Unlike an index, an ETF incurs administrative expenses and transaction costs in trading securities. In addition, the timing and magnitude of cash inflows and outflows from and to investors buying and redeeming shares in the ETF could create cash balances that cause the ETF's performance to deviate from the index (which remains "fully invested" at all times). Performance of an ETF and the index it is designed to track (if any) also may diverge because the composition of the index and the securities held by the ETF may occasionally differ.

In addition, only "Authorized Participants" may engage in creation or redemption transactions directly with an ETF, and an ETF will have a limited number of institutions that act as Authorized Participants. To the extent that these institutions exit the business, elect not to transact with the ETF, or are unable to proceed with creation and/or redemption orders with respect to the ETF and no other Authorized Participant is able to step forward to create or redeem, the ETF's shares may trade at a discount to their net asset value and possibly face trading halts and/or delisting.

The Models available through the Program may include ETFs that have no prior, or limited, operating history and performance. Certain Models also include ETFs with particular investment styles or strategies, such as an ETF that invests in securities based on growth characteristics or ESG factors. These ETFs may be limited in the types and number of investment opportunities available, and as a result, these ETFs may underperform other ETFs that do not have a similar focus. There can be no assurance that the companies in which such an ETF invests will exhibit the relevant characteristics of the ETF's particular strategy.

### ***Risks Related to Investments in Mutual Funds***

A mutual fund is an investment company that allows investors to purchase an undivided interest in a portfolio of securities and other assets. A mutual fund's portfolio may consist of stocks, bonds, money market instruments, commodities, derivatives, and other financial assets to achieve the investment objectives stated in the mutual fund's prospectus. Mutual funds, like other investments, are subject to certain risks. Returns are not guaranteed, NAVs may be volatile and an investor in a mutual fund could lose the entire amount of his or her investment. Investing in mutual funds that invest in international, aggressive growth stocks, or less liquid securities may only be appropriate for clients whose investment profile allows them to assume the risks associated with those funds. Most mutual funds are actively managed, meaning that they carry the risk that the fund will underperform compared to another fund that tracks an index.

Certain mutual funds offer only one class of shares, while other mutual funds offer multiple share classes that are available for investment based upon certain eligibility and/or purchase requirements. Mutual funds often permit the conversion of shares from one class to another, subject to certain conditions as determined by the applicable fund. Depending on the circumstances, a client could be subject to higher expenses overall once the shares convert to a share class that is deemed eligible. A client's mutual fund share class may not be converted if, for example, there is no equivalent share class eligible for the Program or in other circumstances. Clients should discuss the impact of a conversion of mutual fund shares prior to contributing any mutual fund investments to a program account.

### ***Risks Related to ESG Investing***

An ESG investment strategy is limited in the types and number of investment opportunities available and, as a result, an ESG investment strategy may underperform other investment strategies that do not have an ESG focus. An ESG investment strategy may invest in securities or industry sectors that underperform the market as a whole or underperform other funds screened for ESG standards. Frameworks for ESG investing vary among investment advisers and funds.



Therefore, the companies selected by an index provider or investment adviser as demonstrating ESG characteristics may not be the same companies selected by other index providers or investment advisers that use similar ESG screens. Further, an index provider or investment adviser may select companies based on a particular ESG factor or factors rather than a holistic assessment of a company's ESG characteristics. In addition, companies selected by an index provider or investment adviser may not exhibit the ESG characteristics the index provider or investment adviser seeks to identify.

#### ***Risks Related to Investments in Money Market Mutual Funds***

As described above, cash balances in a Client's account will be automatically swept into an eligible money market mutual fund. An investment in a money market mutual fund is neither insured nor guaranteed by the FDIC or any other government agency. A money market mutual fund seeks income by investing in short-term debt securities. Money market mutual funds may have a floating net asset value or may seek to maintain a constant net asset value of \$1 per share. For all money market mutual funds, including those that seek to preserve the value of an investment therein at \$1 per share, it is possible to lose money. Furthermore, certain money market mutual funds subject investors to restrictions on the ability to redeem an investment in times of market stress, by imposing liquidity fees and/or temporary bans on redemptions. If the liquidity fees or bans on redemptions are triggered, then clients could be prevented from withdrawing some or all of their cash for investment purposes or for other liquidity needs. In addition, if money market mutual funds are forced to cease operations and their holdings must be liquidated or distributed in kind to the fund's shareholders, then clients could be prevented or delayed from accessing their cash.

#### ***Access Interruptions***

CGMI makes no guarantee that access to the Application will be available at all times. CGMI reserves the right to suspend access to the Application without prior notice for scheduled or unscheduled system repairs or upgrades. Further, access to the Application and a client's account, may be limited or unavailable due to, among other things: market volatility, peak demand, systems upgrades, maintenance, any kind of interruption of the services provided by CGMI, hardware or software malfunction or failure, internet service failure or unavailability, the actions of any governmental, judicial, or regulatory body, and force majeure.

#### ***Investment Tools***

The investment tools provided within the Site are not a guarantee of performance and CGMI does not guarantee or make any warranty of any kind, express or implied, regarding the projections or recommendations generated by the Site. CGMI is not liable for any losses (including lost opportunity or profits) arising out of or relating to discrepancies between projections and recommendations and actual performance. The Site is not designed to provide clients with a comprehensive financial plan.

#### **A.6. Reasonable Investment Restrictions**

A client may request in writing that a particular security or category of securities not be purchased or sold for an account. If CGMI determines that the client's requested restrictions are reasonable, CGMI will use its best efforts to honor such restrictions and will delegate responsibility for implementing such restrictions to Clearing Firm. CGMI may reject any restriction it believes is unreasonable or cannot be effectively implemented or monitored. Clients should understand that restrictions may have an adverse effect on the account's investment performance, asset diversification, and ability to achieve its investment goals and objectives, compared with an account that is fully invested in the securities recommended for the account by the relevant Model. In the event a category of securities is restricted, Clearing Firm will have sole discretion to determine the specific securities in the restricted category. In making this determination, Clearing Firm may rely on outside sources, such as standard industry codes and research furnished by independent service providers. Compliance with any restrictions will be as of the date of recommendation of the restricted investment only, based on the characteristics of such investment on that date, as determined by the Clearing Firm in its discretion. Restrictions will not be deemed to be violated due to changes in the characteristics of an investment following the purchase or recommendation of an investment.

Restrictions imposed on the management of the account will not apply to or affect the internal management or underlying investments held by an ETF or mutual fund purchased for the account in accordance with the Model selected by the client. Each ETF or mutual fund is managed or invested in accordance with its investment objectives and the guidelines set forth in the fund's prospectus. Consequently, clients will have limited ability to impose restrictions on the management of their account. If an investment restriction is deemed reasonable, Clearing Firm will allocate the assets that would have been invested in the security(ies) impacted by the investment restriction to cash or cash equivalents.

## **B. Investment Advisory Services versus Brokerage Services; Cost of Program Relative to Non-Asset-Based Fee Alternatives; Relative Costs of Program Alternatives**

CGMI is registered as both a broker-dealer and as an investment adviser under federal and state securities laws, and provides services in both capacities in connection with the Program described in this brochure. Investment advisory and brokerage services are separate and distinct and are governed by different laws and separate contracts.

Brokerage services are transactional and primarily involve assisting a customer with purchases and sales of securities. We make recommendations to customers about buying, selling, and holding securities in brokerage accounts, but the customer makes final investment decisions for the account. We do not monitor any investments in brokerage accounts. For brokerage services, a customer pays a transaction-based fee, sometimes called a commission or a “load,” each time the customer buys or sells an investment. If a customer buys or sells an investment directly from CGMI, CGMI earns a profit on that transaction that sometimes is called a spread or mark-up or mark-down.

Investment advisory services are provided on an ongoing basis and typically involve providing investment advice designed to meet a client’s comprehensive long-term financial goals. In most investment advisory account programs, clients grant CGMI or a third-party discretion to buy and sell investments without asking the client in advance. Other investment advisory accounts are non-discretionary and the client makes the final investment decisions for the account. The investment adviser for an account typically provides ongoing monitoring services for the account unless the relationship is limited in scope, like financial planning. For investment advisory services, CGMI typically charges an ongoing fee based on the value of the assets in the account.

Although the primary purpose of the Program is to provide clients with investment advice and guidance, the Program combine both brokerage and investment advisory services, and the single asset-based fee that clients pay for the Program generally covers CGMI’s brokerage and investment advisory services, along with clearing and custody services and certain other services described above. (Services that are not covered by the single asset-based fee are described below).

Clients should understand that they may be able to obtain some or all of the services described in this brochure from CGMI without participating in the Program. In that case, a client’s total cost may be lower or higher than the fees charged in connection with the Program. Clients may also be able to obtain the same or similar services or types of investments through other advisory programs offered by CGMI and/or its affiliates. Such other investment advisory programs may be offered at a lower or higher overall cost than the Program. For example, CGMI’s Model Allocations Portfolios Program and Multi-Asset Class Solutions Program provide services that are similar to those provided through the Program and also allow clients to seek advice from a CGMI financial advisor. Accordingly, clients who seek services that are similar to those provided through the Program and also desire to interact with a CGMI financial advisor should consider investing through the Model Allocation Portfolios Program or Multi-Asset Class Solutions Program and should also review the full suite of investment advisory programs offered by CGMI. Such investment advisory programs (including the Model Allocations Portfolios Program and Multi-Asset Class Solutions Program) are described in CGMI’s Form ADV Part 2A, which can be accessed here: <http://www.citi.com/investorinfo/advisoryprivacy/>.

Moreover, unaffiliated financial services firms may offer to the public other investment products with similar investment styles and holdings as the Models offered through the Program. The fees and charges associated with these products may be higher or lower than the fees imposed by CGMI under the Program. In addition, because the fees for the Program are based on a client’s Segment Designation, a client participating in the Program may pay higher or lower fees than an otherwise similarly situated client participating in the Program.

In comparing the Program with other programs or account types, and their relative costs, a client should consider various factors, including, but not limited to:

- the client’s preference for an investment advisory or brokerage relationship, a discretionary or a non-discretionary relationship, a fee-based or commission-based relationship, and access to a dedicated financial advisor;
- the types of investment vehicles and solutions that are available in the Program;
- whether the investment solution offered in the Program is available through another CGMI investment advisory program or by another financial services firm at a lower or higher cost;
- how much trading activity the client expects to take place in its account;
- whether the client wishes to invest in financial instruments other than ETFs, and which financial instruments are available in another investment advisory program;
- how much of the client’s assets are expected to be allocated to cash;
- the frequency and type of client profiling reports, performance reporting and account reviews that are available in the Program; and
- the scope of ancillary services that may be available to the client through a brokerage account, but which are

not available through the Program.

Clients should also understand that by limiting the Invesco Models to Invesco ETFs, Invesco has a conflict of interest. Invesco will not consider whether ETFs sponsored and/or advised by parties other than Invesco have a better performance record or otherwise present more attractive investment opportunities than the Invesco ETFs.

### **C. Additional Information Regarding Fees and Charges**

In addition to the asset-based fees payable in connection with the Program, clients may pay additional fees or charges in connection with their accounts or certain securities transactions. These may include (but are not limited to): exchange fees; transfer taxes; electronic fund and wire transfer fees; charges imposed by custodians other than CGMI or Clearing Firm; certain fees in connection with custodial, trustee and other services rendered by a CGMI affiliate; termination fees with respect to IRAs; SEC fees on securities trades; other charges mandated by law; and certain fees in connection with the establishment, administration or termination of retirement or profit sharing plans or trust accounts. In addition, if CGMI is a member of the underwriting syndicate from which a security is purchased, CGMI will benefit from such purchase.

When a client invests in an ETF and/or mutual fund through the Program account, the client will pay its pro rata share of the ETF's and/or mutual fund's investment advisory fees and other expenses. These fees and expenses are payable to the ETF's and/or mutual fund's manager and other service providers (which service providers may be affiliated with CGMI). Fees and expenses charged by ETFs and mutual funds are in addition to the asset-based fee charged in the Program. Clients may purchase shares of some of the ETFs and/or mutual funds used in the Program directly from the ETFs and/or mutual funds, their agents, through CGMI or through one or more other broker-dealers without enrolling in the Program. Clients who invest in ETFs and/or mutual funds other than through the Program will not pay the asset-based Program fee in respect of such investments. Furthermore, CGMI or one of its affiliates may effect transactions for certain of the ETFs and/or mutual funds and other financial instruments (including money market mutual funds) in which clients invest and compensation paid to CGMI or such affiliate in connection with such transactions will be in addition to the asset-based fee charged through the Program. With respect to mutual funds included in the CIM Models, clients in the Program will hold "Institutional" class shares that generally do not include certain fees and expenses associated with "retail" share classes.

In the event the Program Agreement is terminated by either party prior to the end of a billing period, a pro-rata fee will be charged. Generally, interest will be charged to a client's account should the account have a debit balance as a result of the client's activity. The "net equity" value of assets, calculated as total assets less debit balance, will be used for the purpose of calculating the asset-based fees payable in connection with the Program. When Clearing Firm has custody of the client's assets, it credits interest and dividends to the account.

Fee minimums and account minimums may vary as a result of the application of prior schedules depending upon the client account inception date. CGMI (either directly or through its affiliates) will from time to time negotiate with clearing firms or other service providers to achieve cost savings or other improved terms for services covered by a client's asset-based fee or other fees and charges. Any cost savings or other advantages achieved may differ by product line or distribution channel, and CGMI or its affiliate sometimes will not pass along the savings or other benefits to clients. In such cases, only CGMI and/or one of its affiliates will benefit.

### **D. Compensation**

CGMI may earn fees or other income for services other than investment advisory services, including, among other things, permitting qualifying clients to take out loans that are secured by the assets in the client's account (for more information, see "Item 9.A.2. – Advisory Account Lending").

Based, among other things, on the potential for an increase in the use of CIM's services as a Model Provider, CGMI has an incentive to recommend the CIM Models over the Invesco Models. On the other hand, the financial incentives that CGMI has to recommend the CIM Models may be outweighed by cost savings from recommending the Invesco Models. For example, CGMI has an incentive to recommend the Invesco Models so that CGMI can earn fees without its affiliate, CIM, providing services and incurring associated costs. With respect to CIM, the CIM Models do not recommend ETFs or mutual funds that are sponsored and/or advised by CGMI or a CGMI affiliate. Clients should understand that retaining an affiliated manager to manage assets outside of the Program could allow them to negotiate the affiliated manager's fees directly with the affiliated manager and possibly obtain services at a lower cost than retaining the affiliated manager through the Program and paying the Program fee.

### **E. Incentives**

From time to time, CGMI offers certain incentives for select clients or prospective clients to enroll in the Program. Such incentives may include but not be limited to discounts, cash bonus payments, or other offers ("Incentive"). Incentives

may be offered to limited groups of clients or prospective clients who CGMI determines, in its sole discretion, meet specific conditions of an offered Incentive. For example, Incentive conditions could include but not be limited to opening a new or specific account type with required funding, responding to surveys, verified locations or residence, or continuous account maintenance for a specified time. Clients or prospective clients will not be offered or receive an Incentive to enroll in the Program unless CGMI expressly and directly offers the Incentive to the client or prospective client and CGMI determines, in its sole discretion, that client or prospective client has met all the conditions of an offered Incentive. The specific terms of an Incentive may be described in the offer.

## **ITEM 5. ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

The minimum initial and ongoing account balance for the Program is \$1,000 for the Invesco Models and \$10,000 for the CIM Models, provided that (i) such minimums may be reduced in CGMI's sole discretion, and (ii) upon CGMI's delivery of notice to the client, accounts invested according to certain Models may in the future be subject to higher minimums. In addition, in the event that a client makes an additional contribution to its account in an amount less than a minimum threshold established by CGMI from time to time (generally the lesser of \$200 or 4% of the value of the account), such additional contribution will be invested or "swept" automatically into the sweep product applicable to the account and will not be invested according to a Model until additional funds are contributed to the account or the account is otherwise rebalanced.

CGMI may freeze accounts under certain circumstances, including in connection with regulatory requirements and other special circumstances. Under appropriate circumstances, fees may continue to be charged on the frozen accounts.

CGMI reserves the right to terminate the client's Program Agreement upon notice to the client.

## **ITEM 6. STRATEGY SELECTION AND EVALUATION**

### **A. Research in Advisory Programs**

CGMI and its affiliates (or a third party retained by CGMI or an affiliate) use three primary methods – CitiFocus, CitiAccess and the FRAM – to evaluate the investment strategies on which the Models offered in the Program are based. In general, CitiFocus and the FRAM entail a more rigorous and thorough evaluation of a strategy than CitiAccess and fewer strategies will qualify under the CitiFocus and the FRAM standards than the CitiAccess standard. The FRAM is used only with respect to the CIM Models, and the CIM Models that integrate ESG criteria are subject to additional screening procedures.

CGMI may determine that a strategy on which a Model is based no longer meets the CitiFocus standard, or will no longer be reviewed under the CitiFocus standard, but does meet the CitiAccess standard. CGMI may determine that a strategy on which a client's Model is based no longer meets either research standard, in which case (x) a replacement investment strategy and a corresponding replacement Model will be selected by CGMI, and the portion of the client's account that is invested in the Unapproved Strategy will be liquidated and the proceeds will be reinvested in accordance with the replacement strategy and corresponding replacement Model (and CGMI or an affiliate will notify the client of such replacement strategy and corresponding replacement Model), or (y) CGMI will terminate the Program Agreement by providing written notice to the client.

ETFs in CIM Models are evaluated in accordance with CGMI's due diligence procedures, which key evaluation criteria for ETFs include market value of the ETF, presence of leverage, the ETF sponsor's total assets under management, and the sponsor's length of experience in managing ETFs.

Certain ETFs that do not meet these criteria may be approved subject to alternative procedures. In general, ETFs that either meet CGMI's due diligence criteria or that do not meet the criteria but have been individually approved according to the alternative procedures may be included in the Program described herein.

### ***CitiFocus***

Under the CitiFocus standard, CGMI evaluates various qualitative and quantitative factors for each investment product offered through one of its advisory programs (each, a "Program Investment Product"), including, without limitation, biographies of key investment personnel, the investment philosophy, investment process, the Form ADV applicable to the Program Investment Product's sponsor and/or investment manager, past performance information and marketing literature. For verification purposes, the review process may include a comparison of the Program Investment Product's reported performance with the performance of a cross-section of actual accounts as computed by Clearing Firm. CGMI personnel also may interview the sponsor and/or investment manager and its key personnel and examine its operations. Program Investment Products are presented to CGMI's Traditional Investment Oversight Forum for approval and Program Investment Products that are approved under the CitiFocus standard are then included on the "CitiFocus List" for Programs.

CGMI periodically reviews whether a Program Investment Product continues to meet the criteria for the CitiFocus standard. In conducting these reviews, CGMI considers a broad range of qualitative and quantitative factors including investment performance, staffing, operational issues and financial condition. Among other things, CGMI personnel interview each sponsor and/or investment manager periodically to discuss these matters. CGMI tends to emphasize quantitative analysis with respect to Program Investment Products with which CGMI has previously conducted personal interviews. In addition, CGMI may review the collective performance of a composite of the CGMI accounts being sponsored or managed by a sponsor and/or investment manager, compare that information to the overall performance data provided by such sponsor and/or investment manager, and then investigate any material deviations.

#### ***CitiAccess***

Under the CitiAccess standard, CGMI reviews Program Investment Products based on various quantitative factors. The Program Investment Products are evaluated according to various performance metrics, including absolute return, volatility, and risk-adjusted return, although not all Program Investment Products evaluated under the CitiAccess standard will be evaluated based on this rules-based approach.

When a Program Investment Product is evaluated under the rules-based approach, analysts review the completeness and consistency of the data and will, to the extent necessary, follow-up with the Program Investment Product's manager or sponsor with additional information requests. However, information provided by managers or sponsors of Program Investment Products in connection with the review process are not independently verified by CGMI. Program Investment Products that are approved under the CitiAccess standard are included on the "CitiAccess List." Program Investment Products that meet the CitiAccess standard are reviewed periodically by CGMI to evaluate whether they continue to meet CGMI's standard.

#### ***Forum for the Review and Approval of Managers ("FRAM")***

The FRAM selects a subset of investment managers and investment funds available for the CIM Models. Investment products that are on the CitiFocus List are automatically approved by the FRAM for inclusion in its approved list for the CIM Models. In addition, an investment product that meets the CitiFocus standard may be presented to the FRAM for its approval to be used in the CIM Models even though the investment product is not on the CitiFocus List. As described below, CIM screens for additional factors in the case of the CIM Models that integrate ESG criteria.

The investment managers and funds selected for the CIM Models are unaffiliated with CGMI. The FRAM has developed various criteria that are used to screen unaffiliated portfolio managers and investment funds. These criteria are subject to change from time to time. Investment managers and funds that meet the FRAM standards are reviewed periodically by the FRAM to evaluate whether they continue to meet the FRAM standards.

#### ***CIM Models and ESG Screening***

In the case of ESG Models, CIM uses external and internal sources to identify ETFs which integrate ESG data into the ETF's rules-based investment process. In order to optimize the efficiency and cost-effectiveness of the ESG Models, CIM further evaluates the resulting ETFs to select an appropriate eligible ETF within the investment universe. CIM qualitatively evaluates how ESG factors, such as a company's carbon footprint, are assessed, evaluated, and integrated into the investment approach of the remaining ETFs within each specific asset class. The managers of the ETFs selected by CIM may not implement the same ESG screening methodology and the ESG factors considered are not standardized among managers. CIM may select an ETF for a Model based on a particular ESG factor or factors, including with regard to a particular investment or investments held by an ETF.

#### ***Watch Policy***

The Models reviewed under CitiFocus or CitiAccess methods are subject to a review and/or a "watch" policy. A Model is designated with a "watch" or an "under review" status when CGMI identifies specific areas of the applicable Model Provider's business that (a) merit further evaluation by CGMI and (b) may, but are not certain to, result in the Model being reclassified or terminated as an investment option in the Program. The duration of a watch or under review status will vary according to the length of time necessary for CGMI to conduct its evaluation and for the applicable Model Provider to address any areas of concern identified by CGMI.

#### ***Model Provider Performance***

CGMI does not use any industry standards, such as GIPS, to calculate performance of each Model Provider.

## **B. Additional Information**

### ***Risk of Loss***

Investing in shares of ETFs and mutual funds involve risks in addition to those described above under Item 4.A. – “Risks Related to Investments in ETFs” and “Risks Related to Investments in Mutual Funds” that may result in losses to clients, including the potential loss of the principal amount invested. Such risks include, among others, losses caused by adverse market conditions, market volatility, limited liquidity and other market action. Clients should be aware that neither CGMI nor any of its affiliates will be responsible for losses in value in client accounts, or for acting or failing to act with respect to client accounts, so long as CGMI acts in good faith.

CGMI, its affiliates, service providers, and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are susceptible to operational, informational security, and related risks that could adversely affect CGMI and the clients. Cyber incidents can result from deliberate or unintentional events and may arise from external or internal sources. Like other financial services firms, CGMI experiences malicious cyber activity directed at its computer systems, software, networks and its users on a daily basis. This malicious activity includes attempts at unauthorized access, implantation of computer viruses or malware, and denial-of-service attacks. CGMI also experiences large volumes of phishing and other forms of social engineering attempted for the purpose of perpetrating fraud against CGMI, its associates, or its clients. Attacks may also be carried out by causing denial-of-service attacks on websites (making network services unavailable to intended users). Cyber incidents may cause disruptions and affect business operations, potentially resulting in financial losses, the inability to transact business or trade, destruction to equipment and systems, loss or theft of investor data, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. Similar adverse consequences could result from cyber incidents affecting a Model Provider, ETFs in which an account is invested, brokers, dealers, exchanges, and other financial institutions and market operators.

The increased use of mobile and cloud technologies, including as a result of the shift to work-from-home arrangements as a result of the COVID-19 pandemic has heightened these and other operational risks, and any failure by CGMI's mobile or cloud technology service providers to adequately safeguard the systems CGMI uses and prevent or quickly detect and remediate cyber attacks could disrupt CGMI's operations and result in misappropriation, corruption or loss of confidential or propriety information.

### ***Global and Regional Events Risks***

Global and regional events such as war, terrorist attacks, political unrest, climate change, natural disasters, public health crises, and pandemics may cause substantial losses by, among other things: causing disruptions in global economic conditions; decreasing investor confidence; disrupting financial markets and the ability to conduct business activities; causing loss or displacement of employees; triggering large-scale technology failures or delays; and requiring substantial capital expenditures and operating expenses to remediate damage and restore operations. The ongoing pandemic caused by the novel coronavirus (COVID-19) is currently having materially adverse effects on financial markets and the global economy. The pandemic presents material uncertainty as to the investment performance of client accounts. Risks associated with COVID-19 are discussed in further detail below.

Public health crises, pandemics and epidemics, such as those caused by new strains of viruses including, most recently, COVID-19, are expected to increase as international travel continues to rise. COVID-19 has and is expected to continue to directly and indirectly adversely affect a wide variety of clients' investments, in material respects, by creating significant volatility in financial markets, interrupting business activities, supply chains and transactional activities, disrupting travel and negatively impacting the economies of affected countries, which include both developed and developing nations throughout the world. COVID-19 has also resulted and is expected to continue to result in significantly adverse consequences for certain industries, such as transportation, hospitality and entertainment. Defaults under financing agreements and breaches of commercial agreements between issuers and their counterparties are expected to occur as the pandemic develops. COVID-19 thus presents material uncertainty as to an issuer's ability to raise and deploy capital and presents material uncertainty as to the investment performance.

### ***No Review of Fund Performance Information***

Neither CGMI, its affiliates nor any third-party reviews ETF or mutual fund performance information to determine or verify its accuracy or its compliance with industry standards.

### ***Voting Client Securities***

Each client shall retain exclusive responsibility for voting proxies related to investments held in its account. To the extent that CGMI receives any proxies and proxy soliciting and related materials, including interim reports, annual

reports and other issuer mailings, CGMI will promptly send such materials to the client, and the client will have exclusive responsibility for taking any actions in relation thereto.

#### **ITEM 7. CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

CGMI and Intelliflo may share a client's completed Questionnaire and other client information with one another for the purpose of facilitating CGMI's provision of investment advice through the Program.

#### **ITEM 8. CLIENT CONTACT WITH PORTFOLIO MANAGERS**

Clients generally will not be provided an opportunity to discuss their accounts with Intelliflo, CIM or Invesco.

#### **ITEM 9. ADDITIONAL INFORMATION**

##### **A.1. Disciplinary Information**

Below are summaries of certain legal and disciplinary events that may be material to clients and prospective clients. Additional information about legal and disciplinary events is available in Item 11 of our Form ADV, Part 1A, available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

##### SEC Administrative Proceeding Against Citigroup Global Markets Inc. and Smith Barney Fund Management LLC

On May 31, 2005, the SEC issued an order in connection with the settlement of an administrative proceeding against CGMI and Smith Barney Fund Management LLC ("SBFM") relating to the appointment of an affiliated transfer agent for the Smith Barney family of mutual funds (the "Smith Barney Funds"). SBFM was an affiliate of CGMI during the relevant period.

The SEC order finds that SBFM and CGMI willfully violated Section 206(1) of the Advisers Act. Specifically, the order finds that SBFM and CGMI knowingly or recklessly failed to disclose to the Boards of the Smith Barney Funds in 1999 when proposing a new transfer agent arrangement with an affiliated transfer agent that: First Data Investors Service Group ("First Data"), the Smith Barney Funds' then-existing transfer agent, had offered to continue as transfer agent and do the same work for substantially less money than before; and that Citigroup Asset management ("CAM"), the Citigroup business unit that includes the Smith Barney Funds' investment manager and other investment advisory companies, had entered into a side letter with First Data under which CAM agreed to recommend the appointment of First Data as sub-transfer agent to the affiliated transfer agent in exchange, among other things, for a guarantee by First Data of specified amounts of asset management and investment banking fees to CAM and CGMI. The order also finds that SBFM and CGMI willfully violated Section 206(2) of the Advisers Act by virtue of the omissions discussed above and other misrepresentations and omissions in the material provided to the Smith Barney Fund's Boards, including the failure to make clear that the affiliated transfer agent would earn a high profit for performing limited functions while First Data continued to perform almost all of the transfer agent functions, and the suggestion that the proposed arrangement was in the Smith Barney Funds' best interest and that no viable alternatives existed. SBFM and CGMI do not admit or deny any wrongdoing or liability. The settlement does not establish wrongdoing or liability for purposes of any proceeding.

The SEC censured SBFM and CGMI and ordered them to cease and desist from violations of Section 206(1) and 206(2) of the Advisers Act. The order requires Citigroup to pay \$208.1 million, including \$109 million in disgorgement of profits, \$19.1 million in interest and a civil money penalty of \$80 million. Approximately \$24.4 million has already been paid to the Smith Barney Funds, primarily through fee waivers. The remaining \$183.7 million, including the penalty, has been paid to the U.S Treasury and will be distributed pursuant to a plan to be prepared by Citigroup and submitted within 90 days of the entry of the order for approval by the SEC. The order also requires that transfer agency fees received from the Smith Barney funds since December 1, 2004 less certain expenses be placed in escrow and provides that a portion of such fees may be subsequently distributed in accordance with the terms of the order.

The order requires SBFM to recommend a new transfer agent contract to the Smith Barney Fund Boards within 180 days of the entry of the order. If a Citigroup affiliate submits a proposal to serve as transfer agent or sub-transfer agent, an independent monitor must be engaged at the expenses of SBFM to recommend a new transfer agent contract to the Smith Barney Fund Boards within 180 days of the entry of the order. If a Citigroup affiliate submits a proposal to serve as transfer agent or sub-transfer agent, an independent monitor must be engaged at the expense of SBFM and CGMI to oversee a competitive bidding process. Under the order, Citigroup also must comply with an amended version of a vendor policy that Citigroup instituted in August 2004. The policy, as amended, among other things, requires that when requested by a Smith Barney Fund Board, CAM will retain at its own expense an independent consulting expert to advise and assist the Board on the selection of certain service providers affiliated with Citigroup.

### Revenue Sharing and Sales of Mutual Fund Class B and C Shares

In March 2005, the SEC entered an administrative and cease-and-desist order against CGMI. The SEC order found that there were two disclosure failures by CGMI in the offer and sale of mutual fund shares to its customers. The first failure related to CGMI's revenue sharing program, whereby CGMI received from advisers and distributors associated with about 75 mutual fund complexes revenue sharing payments, in exchange for which CGMI granted mutual funds access to, or increased visibility in, CGMI's Smith Barney retail distribution network. The order found that CGMI did not adequately disclose its revenue sharing program to its customers but instead relied on the participating funds' prospectuses and statements of additional information to satisfy its disclosure obligations with regard to its revenue sharing program. As a result, the order found that CGMI willfully violated Section 17(a)(2) of the Securities Act of 1933 ("Securities Act") and Rule 10b-10 under the Securities Exchange Act of 1934 ("Exchange Act"). The second disclosure failure concerned CGMI's sales of Class B mutual fund shares in amounts aggregating \$50,000 or more. The order found that CGMI failed to disclose adequately at the point of sale, in connection with recommendations to customers to buy Class B shares, that such shares were subject to higher annual fees and that those fees could have a negative impact on customer investment returns, depending on the amount invested and intended holding period. As a result, the order found that CGMI willfully violated Section 17(a)(2) of the Securities Act. Based on these findings, the SEC order censured CGMI, required CGMI to cease and desist from committing or causing violations and future violations of Securities Act Section 17(a) and Exchange Act Rule 10b-10, and required CGMI to pay a \$20 million civil money penalty.

In March 2005, NASD Inc. ("NASD") censured and fined CGMI with respect to CGMI's offer and sale of Class B and Class C mutual fund shares during 2002 and the first six months of 2003. The NASD found that CGMI either had not adequately disclosed at the point of sale, or had not adequately considered in connection with its recommendations to customers to purchase Class B and Class C shares, the differences in share classes and that an equal investment in Class A shares generally would have been more advantageous for the customers. The NASD also found that CGMI's supervisory and compliance policies and procedures regarding Class B and Class C shares had not been reasonably designed to ensure that CGMI advisers consistently provided adequate disclosure of, or consideration to, the benefits of the various mutual fund share classes as they applied to individual customers. As a result, the NASD found that CGMI violated NASD Conduct Rules 2110, 2310 and 3010. Based on these findings, the NASD censured CGMI and required CGMI to pay a \$6.25 million fine.

### Research and Initial Public Offerings

In 2003, Salomon Smith Barney Inc. ("SSB"), now known as Citigroup Global Markets Inc. settled civil and regulatory actions brought by the SEC, the New York Stock Exchange, Inc. ("NYSE"), the NASD, the Attorney General of the State of New York ("NYAG"), and state securities regulators, which alleged violations of certain federal and state securities laws and regulations and certain NASD and NYSE rules by SSB arising out of certain of its business practices concerning (1) sell-side research during the period 1999 through 2001, and (2) initial public offerings ("IPOs") during the period 1996 through 2000. The actions alleged, among other things, that SSB published certain fraudulent research reports, permitted inappropriate influence by investment bankers over research analysts and failed to adequately supervise the employees who engaged in those practices. It was also alleged that SSB engaged in improper "spinning" of shares to executives of investment banking clients and failed to maintain policies and procedures reasonably designed to prevent the potential misuse of material non-public information in certain circumstances.

Solely for the purpose of settling each proceeding, prior to hearing, without adjudication of any issues of law or fact, and without admitting or denying the facts or conclusions alleged in the respective regulators' documents, SSB consented to findings that SSB violated certain federal and state securities laws and regulations and certain NASD and NYSE rules, as described above, and agreed to the sanctions described below. In settling the various civil and regulatory actions, SSB consented to the imposition of censures by NASD and NYSE, the issuance of cease and desist orders in state proceedings prohibiting it from violating certain state laws and regulations, the entry of a final judgment enjoining SSB from violating certain provisions of the federal securities laws and certain self-regulatory organization rules, and ordering it to make a total payment of \$400 million. The final judgment also ordered SSB to comply with its undertakings to implement certain structural reforms relating to the operation of its research and investment banking departments. SSB also agreed to participate in a voluntary initiative pursuant to which it will no longer make allocations of securities in hot IPOs to accounts of executive officers or directors of a U.S. public company or a public company for which a U.S. market is the principal equity trading market.

### Market-Timing

On July 13, 2007, NYSE Regulation, Inc. (the "NYSE") issued a Hearing Board Decision in connection with the settlement of an enforcement proceeding brought in conjunction with the New Jersey Bureau of Securities ("NJBS") against Citigroup Global Markets Inc. ("CGMI" or "the Firm"). The decision concerned the Firm's failure to supervise adequately certain branch offices and CGMI advisers who engaged in deceptive mutual fund market timing on behalf of



certain customers from January 2000 through September 2003. The decision notes that market timing occurred in the Firm's proprietary funds and in non-proprietary funds. Between 1998 and May 2000, the Firm made efforts to end market timing in its proprietary funds and its fee-based mutual fund trading programs. Market timing by CGMI advisers in proprietary funds ended by late 2001 or early 2002. Market timing in non-proprietary funds continued until September 2003. The decision noted three CGMI branches for the most serious conduct, and that six branches accounted for over 40% of all market-timing transactions. The NYSE also found that while the Firm had policies in place to address market timing, such policies were inadequate and inadequately enforced.

Without admitting or denying guilt, the Firm consented to a finding that it violated: NYSE Rule 342 by failing to reasonably supervise certain business activities and establish and maintain appropriate procedures for supervision and control with respect to trading of mutual funds and fund-like sub-accounts of variable annuities; NYSE Rules 401(a) and 476(a) by failing to prevent certain brokers from engaging in violative market timing of mutual funds, including use of deceptive practices related to market timing of funds; and Section 17(a) of Securities Exchange Act of 1934, Rules 17a-3 and 17a-4 thereunder, and NYSE Rule 440 by failing to make or preserve accurate books and records reflecting or relating to order communication and entry time for fund shares, rejection or cancellation of trades related to market timing, and orders or confirmations for transactions executed by Firm employees in variable annuity products sub-accounts held away from the Firm. The Firm consented to a penalty consisting of censure and a payment of \$50 million to be distributed as follows: (a) \$35 million to be placed in a distribution fund as disgorgement; (b) a penalty of \$10 million, half to be paid directly to NYSE Regulation and half to be paid directly to the distribution fund; and (c) a penalty of \$5 million to be paid to the State of New Jersey. The Firm also must appoint an Independent Distribution Consultant not unacceptable to the NYSE who will develop a distribution plan for the disgorgement amount, which, to the extent feasible, will go first to Firm customers who during the period January 2000 through September 2003 invested long-term in funds that were the subject of the market timing, with any funds not distributed to be returned to NYSE Regulation.

#### Auction Rate Securities Settlements

On December 11, 2008, the SEC filed a civil action in the federal district court for the Southern District of New York (the "Court"). The Judgment, which was entered on December 23, 2008: (i) permanently enjoined CGMI from directly or indirectly violating Section 15(c) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); (ii) provides that, upon later motion of the SEC, the Court will determine whether it is appropriate to order that CGMI pay a civil penalty pursuant to Section 21(d)(3) of the Exchange Act, and if so, the amount of the civil penalty; and

(iii) ordered that CGMI's Consent be incorporated into the Judgment and that CGMI comply with all of the undertakings and agreements set forth in the Consent, which include an offer to buy back at par certain ARS from certain customers. The SEC's Complaint alleged that: (1) CGMI misled tens of thousands of its customers regarding the fundamental nature of and risks associated with ARS that CGMI underwrote, marketed, and sold; (2) through its financial advisers, sales personnel, and marketing materials, CGMI misrepresented to customers that ARS were safe, highly liquid investments comparable to money market instruments; (3) as a result, numerous CGMI customers invested in ARS funds they needed to have available on a short-term basis; (4) in mid-February 2008, CGMI decided to stop supporting the auctions; and (5) as a result of the failed auctions, tens of thousands of CGMI customers held approximately \$45 billion of illiquid ARS, instead of the liquid short-term investments CGMI had represented ARS to be. CGMI reached substantially similar settlements with the New York Attorney General (the "NYAG") and the Texas State Securities Board (the "TSSB"), although those settlements were administrative in nature and neither involved the filing of a civil action in state court. The settlements with the NYAG and the TSSB differed somewhat from the settlement with the SEC in that the state settlements: (1) made findings that CGMI failed to preserve certain recordings of telephone calls involving the ARS trading desk; and (2) require CGMI to refund certain underwriting fees to certain municipal issuers. As part of the settlement with New York, CGMI paid a civil penalty of \$50 million. CGMI also has agreed in principle to pay to states other than New York with which it enters into formal settlements a total of \$50 million, including \$3.59 million to Texas as part of the settlement with that state.

On Wednesday June 30, 2010, the SEC announced that CGMI, along with two other broker-dealers, had fulfilled their obligations under the 2008 ARS settlement, which required firms to, among other things, make "best efforts" to provide liquidity solutions for institutional clients who were not eligible for redemption, compensate investors who sold ARS below par, and reimburse investors for excess interest costs associated with loans taken out due to ARS illiquidity. To ensure compliance with the settlement, the firms were subject to a potential deferred penalty if the firms did not meet their settlement obligations. The SEC determined that based on the firms' compliance with their respective settlements, as well as other factors, no penalties would be pursued.

CGMI has executed settlements with, and made payments to, all of the eligible states/territories.

#### New York Stock Exchange LLC (NYSE) Hearing Board Decision Related to Prospectus and Other Delivery Failure

On October 2, 2007, without admitting or denying the allegations, CGMI consented to a censure, a fine of \$2,500,000 and an undertaking in connection with certain alleged violations. Specifically, the consent alleged violations of NYSE Rule 401(A) due to the failure to ensure delivery of prospectuses in connection with certain sales of registered securities during the time period July 1, 2003 through October 31, 2004 (the “Relevant Period”); alleged violation of NYSE Rule 1100(b) due to CGMI’s failure to deliver product descriptions to certain customers that purchased Exchange Traded Funds (ETFs) during the Relevant Period; alleged violation of Rule 10b-10 of the Securities Exchange Act of 1934 due to CGMI’s failure to provide customers with confirmations for certain securities transactions during the Relevant Period; and alleged violations by CGMI of NYSE Rule 342 by failing to provide for, establish and maintain appropriate procedures of supervision and control relating to the delivery of product descriptions and prospectuses and trade confirmations.

During the Relevant Period, the Firm allegedly failed to have appropriate policies and procedures relating to the delivery of offering documents to customers that purchased certain securities. The failure to have these policies and procedures caused CGMI to experience numerous systemic deficiencies relating to the delivery of offering documents to customers that purchased certain securities. In particular, during the Relevant Period, the Firm failed to deliver product descriptions (or any other disclosure document, such as a prospectus) to certain customers who purchased ETFs in violation of NYSE rules. In addition, during the Relevant Period, the Firm failed to deliver prospectuses to certain customers who purchased equity and debt securities and mutual funds in violation of NYSE rules and federal securities laws. Furthermore, CGMI failed to send numerous trade confirmations to certain customers that purchased securities in violation of federal securities laws and NYSE rules.

#### NASD Inc. (NASD) Consent Related to Alleged Use of Misleading Materials in Retirement Seminars

On June 6, 2007, without an adjudication of any issue of law or fact, and without admitting or denying the findings, CGMI consented to a \$3 million fine to settle charges relating to the alleged use of misleading materials in retirement seminars and meetings for BellSouth employees in North Carolina and South Carolina. Specifically, the NASD found that CGMI allegedly failed to adequately supervise a team of brokers based in Charlotte, NC, who used misleading sales materials during seminars and meetings of employees of BellSouth Corporation.

#### Financial Industry Regulatory Authority, Inc. (“FINRA”), Direct Borrow

On April 6, 2010, CGMI finalized a settlement agreement with FINRA in which it consented to a \$650,000 fine, without admitting or denying the findings, in connection with the operation of its Direct Borrow Program. CGMI allegedly failed to adequately disclose certain material facts to customers, establish and maintain a supervisory system reasonably designed to achieve compliance with applicable laws and regulations, and distributed marketing materials that were not fair and balanced.

#### SEC Claim Related to Collateralized Debt Obligation

On October 19, 2011, the SEC brought a civil action in the U.S. District Court for the Southern District of New York (“Court”) against Citigroup Global Markets Inc. (“CGMI”) in connection with the role of CGMI, along with certain of its affiliates (together “Citi”) in the structuring and marketing of a largely synthetic collateralized debt obligation (“CDO”) whose investment portfolio consisted primarily of credit default swaps referencing other CDO securities with collateral consisting primarily of residential mortgage-backed securities. The complaint alleged that the marketing materials for the CDO were materially misleading because they suggested that Citi was acting in the traditional role of an arranging bank, when in fact Citi had allegedly exercised influence over the selection of the assets and had retained a proprietary short position of the assets it had helped select, which gave Citi allegedly undisclosed economic interests adverse to those of the investors in the CDO. On October 14, 2011, the SEC and CGMI entered into a consent agreement settling this action. The consent agreement required the issuance of an injunction against CGMI from violating Sections 17(a)(2) and (3) of the Securities Act; imposition of liability on CGMI for payment of disgorgement of \$160 million with prejudgment interest thereon in the amount of \$30 million, and a civil penalty in the amount of \$95 million; and CGMI’s compliance with certain undertakings. After a lengthy series of court proceedings, the District Court entered the final judgment on August 5, 2014.

#### FINRA Settlement Related to Municipal Securities Transactions

On November 7, 2011, without admitting or denying the allegations, CGMI consented to a fine of \$75,000, a censure, and a certain undertaking with FINRA in connection with municipal securities transactions. FINRA alleged that CGMI failed to establish and maintain a supervisory system and to adopt, maintain, and enforce written supervisory procedures reasonably designed to achieve compliance with the disclosure requirements for municipal securities transactions in violation of Municipal Securities Regulation Board Rule G-27.

#### FINRA Settlement Related to Email Retention

On December 2, 2011, CGMI entered into a settlement with FINRA relating to failure to retain emails during an upgrade of its email archiving system. CGMI consented to a censure and a monetary fine of \$750,000 without admitting or denying the findings. FINRA alleged that during the period from October 21, 2008 to December 26, 2009, CGMI failed (i) to retain millions of emails, including emails not retained that potentially impacted its ability to respond to email requests in FINRA investigations and other matters; and (ii) to establish and maintain appropriate systems and procedures reasonably designed to achieve compliance with the applicable recordkeeping rules and detect and remedy deficiencies in its email retention systems.

#### FINRA Inquiry Into Research Disclosures

On January 18, 2012, CGMI resolved a FINRA inquiry into CGMI research disclosures. Without admitting or denying the findings contained therein, CGMI consented to a censure and a monetary fine of \$725,000. Specifically, FINRA alleged that: (a) during at least January 2007 through March 2010, largely as the result of programming and technical errors and deficiencies, CGMI failed to make required disclosures in its research reports and in connection with research analysts' public appearances; (b) CGMI had inadequate systems to determine that its disclosure management system contained all accurate and current information, including information from third-party and internal sources, necessary to formulate required disclosures; (c) CGMI's supervisory system was not reasonably designed to detect that the firm was not populating its research reports with required disclosures; and (d) CGMI was not complying with certain undertakings pursuant to an earlier NASD settlement in 2006.

#### FINRA Settlement Related to Non-Traditional ETFs

On May 1, 2012, CGMI entered into a settlement with FINRA regarding the sale of leveraged, inverse, and inverse-leveraged exchange-traded funds ("Non-Traditional ETFs"). FINRA alleged that, during January 2008 through June of 2009, (i) CGMI failed to establish and maintain a reasonable supervisory system, including written procedures, in connection with the sale of Non-Traditional ETFs and to provide adequate formal training and guidance to its registered representatives and supervisors regarding Non-Traditional ETFs; and (ii) certain registered representatives made unsuitable recommendations of Non-Traditional ETFs to certain customers with a conservative investment objective or risk file. Without an adjudication of any issues of law or fact and without admitting or denying the findings, CGMI consented to a censure, a fine of \$2 million, and a restitution of \$146,431.

#### FINRA Settlement Related to Inaccurate Performance Data

On May 22, 2012, CGMI entered into a settlement with FINRA relating to CGMI's role in the provision of performance data related to mortgage securitizations. FINRA alleged that from January 2006 through October 2007, CGMI posted inaccurate performance data and static pool information to the Reg AB website of Citigroup Inc. (an indirect 100% owner of CGMI) in connection with numerous securitizations, and CGMI failed to establish and maintain effective supervisory and operational policies and procedures regarding these issues. FINRA further alleged that inaccurate data remained on the Citigroup Reg AB website through May 2012. In addition, FINRA alleged that during July through September 2007, CGMI failed (a) to establish and maintain sufficient supervisory policies and procedures addressing independent price verification of Level 3 collateralized debt obligation securities, and to document price verification for such securities; (b) to include certain securities for which no price change had occurred over several days on an internal "stale price report"; (c) to supervise and sufficiently document certain re-pricings of securities held on margin that led to revised margin calls; and (d) to supervise and sufficiently document the application of "margin haircuts" to collateral outside of haircut ranges reflected in CGMI's guidance. CGMI, without admitting or denying the findings, consented to a censure and a fine in the amount of \$3,500,000.

#### Massachusetts Settlement Related to Research (2012)

On October 26, 2012, CGMI entered into a settlement with the Commonwealth of Massachusetts Securities Division ("MSD"). As part of that settlement, CGMI consented to an order (the "2012 Consent Order"), with allegations and findings that it neither admitted nor denied, that it violated Massachusetts laws by failing to: (i) prevent or detect the written disclosure of material, non-public research information in a restricted period prior to the Facebook initial public offering; (ii) detect prohibited research analyst disclosures via emails; and (iii) prevent or detect written disclosure of material non-public research. As part of the order, CGMI agreed to permanently cease and desist from violating the laws of the State of Massachusetts, be censured by the MSD, pay a civil penalty in the amount of

\$2,000,000, and perform undertakings involving the review written supervisory policies and procedures related to Citigroup Investment Research ("CIR") electronic surveillance program and enhance training provided to certain CIR personnel.

#### Massachusetts Settlement Related to Research (2013)

On October 2, 2013, CGMI entered into a settlement with the MSD. As part of that settlement, CGMI consented to an order where it admitted to the MSD's statement of facts in the order and neither admitted nor denied the allegations or the conclusions of law. The MSD alleged that CGMI violated Massachusetts laws, FINRA rules, and its own policies and procedures, as well as the 2012 Consent Order with the MSD, by failing to prevent or detect the written dissemination by one research analyst employed by Citigroup Global Markets Taiwan Securities Co Ltd. of confidential, non-public research information. As part of the order, CGMI agreed to permanently cease and desist from violating the laws of the State of Massachusetts, be censured by the MSD, pay a civil penalty in the amount of \$30,000,000, and perform undertakings involving the review of written policies and procedures related to the CGMI research department and provide education and training for CGMI research analysts who publish equities research.

#### FINRA Claims Related to Research and Investment Banking

On November 20, 2014, CGMI entered into a settlement with FINRA. FINRA alleged that CGMI, during certain periods from 2010 through 2013, failed to supervise communication between its equity research analysts and clients, including to adequately supervise "idea dinners" hosted or attended by equity research analysts; to prevent disclosure of nonpublic research information in December 2012 by individuals employed by Citigroup Global Markets Taiwan Securities Co Ltd.; to adequately enforce its policies concerning communications by equity research analysts; and to have written supervisory procedures reasonably designed to ensure that its equity research analysts did not participate in investment banking road show presentations, and that an equity research analyst indirectly participated in investment banking road show presentations for two companies. Without admitting or denying the allegations, CGMI consented to a censure, a fine in the amount of \$15,000,000 and an undertaking to conduct a comprehensive review of the adequacy and implementation of its policies, procedures, and training.

#### FINRA and NYSE Claims Related to Prospectus Delivery

On December 11, 2014, CGMI entered into a settlement with both FINRA and NYSE. FINRA and NYSE alleged that, from 2009 through April 2011, CGMI failed to deliver prospectuses to customers in connection with sales of certain exchange traded funds ("ETFs"); failed to design and implement an adequate supervisory system to achieve compliance with the securities laws, regulations, and rules governing ETF prospectus delivery; and failed to establish, maintain, and enforce supervisory control policies and procedures that tested and verified that its ETF prospectus delivery procedures were in compliance with applicable laws, regulations, and rules. Without admitting or denying the allegations, CGMI consented to a censure and a fine in the amount of \$3,000,000 (paid jointly to FINRA and NYSE).

#### SEC Claims Related to ASTA/MAT and Falcon Funds

On August 17, 2015, the SEC announced that Citigroup Alternative Investments LLC ("CAI") and CGMI (collectively with CAI, the "Respondents") agreed to a settlement of allegations that, in connection with the offer and sale of securities in two now-defunct hedge funds, (1) the Respondents willfully violated Sections 17(a)(2) and 17(a)(3) of the Securities Act of 1933 ("Securities Act"), (2) CGMI willfully violated Section 206(2) of the Investment Advisers Act of 1940 ("Advisers Act"), and (3) CAI willfully violated Section 206(4) of the Advisers Act and Rules 206(4)-7 and 206(4)-8 promulgated thereunder (the "Order"). The SEC alleged that the Respondents violated the law in misrepresenting the hedge funds' risks and performance.

Without admitting or denying the findings contained in the Order, with the exception of the Commission's jurisdiction over them and the subject matter of the proceedings, the Respondents agreed to the following sanctions: (a) Respondents to cease and desist from committing or causing any violations and any future violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act, (b) CGMI to cease and desist from committing or causing any violations and any future violations of Section 206(2) of the Advisers Act, (c) CAI to cease and desist from committing or causing any violations and any future violations of Section 206(4) of the Advisers Act and Rules 206(4)-7 and 206(4)-8 promulgated thereunder, (d) Respondents to be censured, and (e) Respondents to pay disgorgement of \$139,950,239 and prejudgment interest of \$39,612,089.

#### SEC Claims Related to Surveillance of Principal Trading

On August 19, 2015, the SEC and CGMI entered into a settlement in which the SEC found, and CGMI neither admitted nor denied, that CGMI was in violation of Section 15(g) of the Securities Exchange Act of 1934 and Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder, in connection with CGMI's surveillance of principal trading against certain restricted trading lists and principal trading by an affiliated market maker Automated Trading Desk Financial Services LLC ("ATD") in managed accounts. The SEC found that CGMI failed to adopt and comply with adequate related policies and procedures.

Pursuant to the settlement, CGMI agreed to (1) cease and desist from certain conduct, (2) a censure, (3) pay a civil penalty of \$15 million and (4) comply with certain undertakings, including to continue to retain a consultant to conduct a comprehensive assessment of CGMI's trade surveillance program and order handling in relation to transactions for which CGMI acts as an investment adviser. In determining to accept the settlement offer, the SEC considered the cooperation of, and certain remedial measures undertaken by CGMI, including (a) voluntarily retaining a consultant to conduct a comprehensive review of CGMI's trade surveillance practices and to recommend improvements regarding CGMI's policies and procedures and (b) voluntarily paying \$2.5 million – representing ATD's total profits from the principal transactions – to the affected advisory client accounts.

#### SEC Claims Related to CitiFX Alpha Sold to MSSB Clients

On January 24, 2017, CGMI entered into a settlement with the SEC related to a foreign exchange trading program known as "CitiFX Alpha," which was sold to certain brokerage customers and advisory clients of Morgan Stanley Smith Barney LLC ("MSSB") during 2010 and 2011. At the time, CGMI held a 49% ownership interest in MSSB. The SEC alleged that CGMI omitted material information from investor presentations, including failure to disclose that a substantially higher leverage could be used than was disclosed and that mark-ups on trades would be charged, that caused the investors to suffer significant losses. Without admitting or denying the findings, CGMI agreed to cease and desist from violating Section 17(a)(2) of the Securities Act and pay disgorgement of \$624,458.27, prejudgment interest of \$89,277.34, and a civil money penalty of \$2,250,000.00.

#### TRAK Fund Solution Settlements

CGMI settled two matters relating to overcharges in certain advisory client accounts. The overcharges related primarily to the TRAK Fund Solution program, which CGMI offered between 1991 and 2011.

On January 26, 2017, the SEC issued an Order finding that CGMI violated various provisions of the Investment Advisers Act of 1940 by overcharging or causing to be overcharged approximately 60,000 advisory client accounts in the amount of \$18 million and by failing to keep proper books and records with respect to maintenance of client contracts. Those overcharges had, at the time of the Order, been reimbursed with interest, to the extent they could be identified. Pursuant to the Order, CGMI agreed to pay disgorgement and pre-judgment interest in the amount of \$4,000,000, pay a civil money penalty in the amount of \$14,300,000 and undertake certain reporting obligations to the SEC and remedial actions to the extent not already implemented. Copies of the Order can be obtained at [www.sec.gov/litigation/admin/2017/34-79882.pdf](http://www.sec.gov/litigation/admin/2017/34-79882.pdf) or from your CGMI representative.

On January 12, 2017, the New York Attorney General's Office ("NYAG") and CGMI entered into a settlement in which the NYAG found that CGMI had violated the Martin Act and Executive Law § 63(12) by overcharging certain advisory client accounts. CGMI agreed to pay a monetary penalty in the amount of \$1,000,000 and undertake certain reporting obligations to the NYAG.

#### FINRA Claims Related to Research Ratings

On December 28, 2017, CGMI entered into a settlement with FINRA. As part of that settlement, FINRA alleged that for a period of time, CGMI displayed (both internally and externally) inaccurate research ratings for certain equity securities. FINRA alleged that this inaccuracy, which resulted from errors in the electronic feed of ratings data that the firm provided to its clearing firm, caused CGMI to display the wrong rating for some covered securities (e.g., "buy" instead of "sell"), display ratings for other securities that CGMI was not actively covering at the time, and not display ratings for securities that CGMI, in fact, rated. FINRA also alleged that CGMI failed to establish and maintain a supervisory system and written supervisory procedures designed to ensure the accurate and complete dissemination of research ratings. Without admitting or denying the allegations, CGMI consented to a censure, a fine of \$5.5 million, and an undertaking to pay compensation of at least \$6 million to customers who were solicited to purchase or sell securities affected by the ratings display issues.

### **A.2. Other Financial Industry Activities and Affiliations**

#### ***Registrations***

CGMI is registered as an investment adviser and a broker-dealer with the SEC, and is registered as a futures commission merchant and a swap dealer with the U.S. Commodity Futures Trading Commission ("CFTC"). Affiliates of CGMI are registered as investment advisers and broker-dealers with the SEC, as well as with the CFTC as commodity pool operators and/or commodity trading advisers. CGMI is a member of all principal securities and commodities exchanges in the United States and the Financial Industry Regulatory Authority ("FINRA"). In addition, CGMI holds memberships or associate memberships on several principal foreign securities and commodities exchanges.

### ***Material Relationships or Arrangements With Certain Related Persons.***

CGMI acts as a broker (i.e., agent) and as a dealer (i.e., principal) for corporate, institutional, governmental and private clients in the purchase and sale of a wide variety of securities and other investment products, including equity and debt securities traded on exchanges or in the over-the-counter market, mutual funds, money market instruments, government securities, high-yield bonds, municipal securities, financial futures contracts, and options. CGMI and its affiliates also act in a partnership capacity in a number of limited partnerships in which its clients may invest. As a futures commission merchant and swap dealer, CGMI also provides advice on commodities and commodity related products and deals in swaps and other derivative instruments.

CGMI provides a wide range of research services to its clients, including reports, analyses, charts, and graphs relating to various facets of the investment spectrum in equity and fixed income products. Research services generally are provided to clients on the assumption that the services will generate commission or other business for CGMI. However, certain research services may be provided for a fixed fee and/or, in the case of firms that may re-sell such services, in exchange for royalties. Such so-called “hard-dollar” fees are generally negotiable.

Through its divisions, CGMI offers a wide variety of investment advisory services and investment advisory programs. CGMI’s investment advisory services are available to individuals, multi-family offices, corporations, trusts, endowments, foundations, charitable organizations, pension and profit sharing plans, other businesses, and governmental entities. The investment adviser affiliates of CGMI include, among others: Citi Private Advisory, LLC; Citibank (Switzerland) A.G.; Citibank Canada Investment Funds Limited; Citigroup Alternative Investments LLC; Citigroup Global Markets Asia Limited, Cititrust (Bahamas) Ltd.; Cititrust (Cayman) Ltd.; Cititrust (Jersey) Ltd.; Citigroup First Investment Management Limited; and Citibank Europe PLC. Additional information about CGMI’s affiliates is disclosed in response to Item 7.A of CGMI’s Form ADV, Part 1A, available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Citigroup Life Agency LLC (“CLA”) is an affiliate of CGMI, through which CGMI representatives can function as insurance representatives to sell various insurance products. In California, CLA does business as Citigroup Life Insurance Agency, LLC (License Number 0G56746).

CGMI and its affiliates provide a variety of services for various clients, including issuers of securities that CGMI may recommend for purchase or sale by clients. CGMI performs a wide range of investment banking and other services for various clients, and it is likely that CGMI client holdings will include the securities of issuers for whom CGMI performs investment banking and other services. For example, CGMI client holdings may include ETFs where CGMI or its affiliates provide services as trustees or custodians. CGMI client holdings may also include securities in which CGMI makes a market or in which CGMI, its officers or employees have positions. CGMI and its affiliates receive compensation and fees in connection with the provision of the foregoing services. As part of an overall internal compliance program, CGMI has adopted policies and procedures imposing certain conditions and restrictions on transactions for CGMI’s own account or the accounts of its employees. Such policies and procedures are designed to prevent, among other things, any improper or abusive conduct when potential conflicts of interest may exist for a customer or client.

### ***Advisory Account Lending***

**Non-Purpose Loans.** CGMI, through Clearing Firm, may permit qualifying CPWM clients to obtain loans on a non-purpose basis secured by the value of eligible securities in the client’s account (such loans referred to as “Non-Purpose Loans”). A Non-Purpose loan is defined as a loan whose proceeds cannot be used to purchase, carry or trade in securities or to repay debt incurred through the purchase of securities. CGMI may earn fees and other income for services provided in connection with the Non-Purpose Loans, in addition to the asset-based fee that CGMI earns through the Program for managing the collateral securing the Non-Purpose Loans. Before taking out a Non-Purpose Loan, the client should consider (i) the alternative of liquidating part of the account and (ii) the possibility that the investment return earned on the collateral may be lower than the interest paid on the Non-Purpose Loan (especially if the collateral is a low-producing asset class, such as a money market mutual fund). The client should be aware that CGMI or Clearing Firm, acting as client’s creditor, will have the authority to liquidate all or part of the account at any time to repay any portion of the Non-Purpose Loan, even if the timing of the liquidation may be disadvantageous to the client. CGMI, through Clearing Firm, does not provide margin loans for the purpose of managed accounts that may increase performance (with the resulting increased risk of loss) of a client’s Program account. Additionally, CGMI will have an interest in preserving the value of the collateral, which could be deemed to present a potential conflict of interest in connection with its management of the account.

**Bank Loans.** Qualifying CPWM clients may take out bank loans from Citibank that may be secured by assets in the clients’ accounts. Clients can represent to Citibank how they intend to use the proceeds of the loans which may include purchasing securities other than securities in their accounts. These bank loans are separate relationships from an

investment advisory relationship. Citibank may earn fees and other income for services provided in connection with the bank loans, which are in addition to the asset-based fee described herein. Before taking out a bank loan, the client should consider (i) the alternative of liquidating part of the account and (ii) the possibility that the return on the collateral may be lower than the interest paid on the bank loan (especially if the collateral is a low-producing asset class, such as a money market fund). The client should be aware that CGMI and Clearing Firm, acting on instructions provided by Citibank, client's creditor, will have the authority to liquidate all or part of the account at any time to repay any portion of the bank loan, even if the timing of the liquidation may be disadvantageous to the client. Additionally, Citibank will have an interest in preserving the value of the collateral, which could be deemed to present a potential conflict of interest in connection with CGMI's management of the account.

#### ***Acting as Adviser to Funds***

CGMI affiliates may act as investment adviser to an open-end investment company comprising several mutual funds, and act or may act as an administrator for a wide range of open-end and closed-end investment companies registered under the Investment Company Act of 1940, as amended. CGMI and its affiliates may also serve as investment advisers to a number of investment funds domiciled and sold outside the United States. In addition, CGMI affiliates may act as investment adviser to unregistered investment funds (including hedge "fund of funds").

### **B.1. Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading**

#### ***Employee Personal Trading and Fiduciary Code of Ethics***

Employees and certain other persons who perform services that support the investment advisory business of CGMI are bound by the Personal Trading and Investment Policy ("PTIP Policy") and the Fiduciary Code of Ethics ("Code of Ethics"). The Code of Ethics is designed to comply with applicable regulatory requirements including Rule 204A-1.

Both the PTIP Policy and the Code of Ethics govern the trading of employees who support the investment advisory business of CGMI and the family members' or related persons' accounts over which the employee has investment discretion.

Certain representatives within CGMI are considered covered persons under the PTIP Policy. The PTIP Policy governs the manner in which covered persons' trading account information is made available to the firm's compliance department and defines instances where pre-clearance or supervisory pre-approval may be appropriate. Covered persons are subject to a number of restrictions including 1) prohibition on conduct of personal trades in securities for which they are in possession of material, non-public information; 2) prohibition on securities noted on the firm's restricted list; and 3) prohibition on trading in securities where new and material research has been published. Other restrictions exist with respect to "new issue"/public offerings and trading of Citigroup shares.

Covered persons are further prohibited from engaging in market timing strategies with respect to mutual fund transactions in covered accounts.

Certain supervisory staff are responsible for reviewing all personal trading activity of their covered employees for indications of improper trading activity and insider trading.

When CGMI personnel purchase or sell certain securities for their own accounts on the same day that transactions in these securities are effected for client accounts, the price paid or realized by advisory personnel generally may not be more advantageous than the price at which the client transactions are effected. If orders by CGMI personnel are part of a batched client order and the entire block of securities is then not executed on the same day, no part of the order executed is permitted to be allocated to any advisory personnel.

The Code of Ethics describes the standards of business conduct for CGMI's investment advisory business, including the fiduciary obligations owed to clients and the obligation to comply with applicable laws. The Code of Ethics incorporates and is supplemented by other Citi policies and procedures, including policies and procedures designed to protect the flow of material non-public information and the confidentiality of client information and those imposing personal trading and investment restrictions, maintenance of personal securities trading accounts at CGMI, and reporting of personal securities holdings and transactions. The purposes of the Codes of Ethics and the related policies and procedures include minimizing potential conflicts of interests between employees and investment advisory clients and assuring compliance with applicable laws and regulations. Each person covered under the Code of Ethics receives a copy of the Code of Ethics upon being designated as a covered person and annually thereafter. They must sign an attestation that indicates that they have read and understand such Code of Ethics. In conjunction with this attestation, all covered persons are required to report any violation or potential violation of which they might become aware.

A copy of CGMI's Code of Ethics will be provided to any client or prospective client who mails a written request to:

Citigroup Global Markets Inc.  
750 Washington Blvd. Floor 8th Floor  
Stamford CT 06901

Attention: Dana L. Platt, Chief Compliance Officer – Investment Advisory Businesses

### ***Participation and Interest in Client Transactions***

CGMI and its affiliates may recommend securities in which they directly or indirectly have a financial interest and may buy and sell securities that are recommended to clients for purchase and sale. They also may provide advice and take action in the performance of their duties to clients which differs from advice given, or the timing and nature of action taken, for other clients' accounts. Moreover, CGMI or any of its affiliates may advise or take action for itself or themselves differently than for clients. In addition, CGMI, its affiliates, and their employees, including CGMI financial advisers, may invest in the Program.

From time to time, CGMI imposes restrictions to address the potential for self-dealing by CGMI and conflicts of interest that may arise in connection with CGMI's broker-dealer and investment banking businesses. CGMI has adopted various procedures to guard against insider trading that include an "Information Barrier" procedure, pursuant to which information known within one area of CGMI (e.g., investment banking) may not be distributed to other areas (e.g., investment advisory), and use of a restricted list and various other monitoring lists. These investment banking or other activities may from time to time compel CGMI or its affiliates to forgo trading in the securities of companies with which these relationships exist. This may adversely impact the investment performance of a client's account.

### ***Principal Transactions***

CGMI generally does not act as principal in executing trades in connection with the Program. Clients should be aware that in some cases it may be disadvantageous not to trade on a principal basis with CGMI to the extent that CGMI otherwise would provide a price more favorable than the price available from an unaffiliated dealer or have inventory for sale not available through an unaffiliated dealer.

### ***Agency Cross Transactions***

Agency cross transactions (i.e., transactions in which CGMI acts as broker for the parties on both sides of the transaction) may be effected for customer accounts to the extent permitted by law. CGMI may receive compensation from parties on both sides of such transactions (the amount of which may vary) and as such, CGMI will have a potentially conflicting division of loyalties and responsibilities. Any compensation CGMI receives in connection with agency cross transactions will be in addition to the asset-based fee that the client pays CGMI for its participation in the Program. In the Program Agreement, clients consent to and authorize CGMI to engage in agency-cross transactions for the client's account, except where prohibited by law. Client consent to agency cross transactions may be revoked at any time by written notice to CGMI.

## **B.2. Review of Accounts**

Accounts are generally monitored on an on-going basis by CGMI and are subject to supervision (either by the branch or a supervisory principal). CGMI's review of accounts includes a review of each purchase or sale, as well as monthly position reports.

## **B.3. Client Referrals and Other Compensation**

### ***Compensation from Invesco***

The ETFs recommended by each Invesco Model consist exclusively of Invesco ETFs. When investing in an Invesco ETF (and all other ETFs), a client's account, as a shareholder of the ETF, will bear a portion of the ETF's internal fees and expenses, which are described in its prospectus. Prospectuses for Invesco ETFs are available at <https://www.invesco.com/portal/site/us/investors/etfs/>. The fees and expenses charged by the Invesco ETFs include management, administration, distribution, transfer agent, custodial, legal, audit, securities lending and other customary fees and expenses related to operating exchange-traded mutual funds.

If the client is not an employee benefit plan or retirement plan subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code") (including for this purpose individual retirement accounts) (a "Retirement Client"), a portion of the fees and expenses charged by the Invesco ETFs in which the client's account is invested will be paid to, and retained by, CGMI through a fee sharing arrangement between CGMI and Invesco (the "Fee Sharing Arrangement"). Pursuant to the Fee Sharing Arrangement, CGMI will receive and retain an annual amount equal to 10% of the average of the advisory fee rates for



the Invesco ETFs available in the Program, *multiplied by* the total amount of assets invested in the Invesco ETFs through the Program (excluding assets held by Retirement Clients, as noted below). CGMI has evaluated each Invesco Model in accordance with one of the research standards described above (CitiAccess or CitiFocus) and believes that each Invesco Model is suitable for recommendation to clients. However, CGMI has a conflict of interest in selecting Invesco instead of other service providers that would recommend different ETFs to the extent that those service providers would not rebate or share with CGMI the same portion of fees and expenses (or other compensation) as Invesco. CGMI also faces a conflict of interest in continuing to license the Invesco Models from Invesco because each Invesco Model exclusively recommends investments in Invesco ETFs (and cash and cash equivalents), and the more Program account assets that are invested in the Invesco ETFs recommended by the Invesco Models, the more compensation CGMI earns through the Fee Sharing Arrangement. Because the percentage is applied uniformly to all of the assets invested in the Invesco ETFs through the Program, however, CGMI does not have an incentive to recommend one Invesco Model over another. If Invesco chooses to include Invesco ETFs with higher advisory fees in the Program, the amount paid to CGMI will increase to the extent that the average of the advisory fees of the Invesco ETFs in the Program increases. Any compensation CGMI earns from the Fee Sharing Arrangement will be in addition to any compensation that CGMI earns from the asset-based fee payable by clients in connection with the Program.

If the client is a Retirement Client, CGMI will not receive any payments from Invesco pursuant to the Fee Sharing Arrangement in respect of the client's account. Thus, as a result of the Fee Sharing Arrangement, CGMI has a financial incentive to recommend that prospective clients invest in the Program other than through an employee benefit plan or retirement plan subject to ERISA or Section 4975 of the Code.

#### ***Compensation from Funds***

Clients invested in mutual funds in the Program will acquire "Institutional" class shares of such funds that do not pay many of the fees and expenses typically associated with "retail" share classes. At the same time, certain mutual funds available through the Program provide, and such mutual funds' affiliates provide, compensation to CGMI or its affiliates in the form of 12b-1 or distribution fees, management fees, administrative fees, transfer agency fees, revenue sharing compensation, record keeping fees, shareholder servicing fees or any other fund related fees.

Except as described below regarding money market mutual funds, CGMI or its affiliates will not seek or retain any compensation from participating mutual funds and will credit the client's account in the amount of any such compensation as soon as possible after receipt by CGMI or its affiliates. Any compensation credited to a client's account, including retirement accounts, will be treated as additional income and reported as such.

Where Citibank, as the custodian of a client's mutual fund investments held outside of a Program, receives shareholder service fees, recordkeeping services fees, sub-transfer agency or similar fees from participating mutual funds, Citibank will retain such fees.

Where Clearing Firm, as the custodian of a client's mutual fund investments, receives shareholder service fees, recordkeeping services fees, sub-transfer agency or similar fees from participating mutual funds, Clearing Firm will retain such fees.

In addition to the compensation described above, CGMI and its affiliates receive payments from certain fund sponsors for the opportunity to be the primary providers of funds offered on certain client-directed online trading platforms offered by CGMI and its affiliates. These payments are separate from, and in addition to, any other compensation otherwise received from a fund or its affiliates participating in the Programs. As a result of such additional arrangements, CGMI has a financial incentive to treat such fund sponsors more favorably than fund sponsors who do not participate in such arrangements. In determining whether a fund is eligible for the Programs, however, CGMI does not consider the extent to which a fund sponsor participates in such online trading platforms.

#### ***Potential Conflicts of Interest Pertaining to Compensation and Benefits from Money Market Mutual Funds***

Cash balances in the accounts will be automatically invested or "swept" into an eligible money market sweep fund selected by CGMI in its sole discretion. CGMI, its affiliates, or Clearing Firm, as applicable, may receive from such funds or their affiliates 12b-1 fees, as well as recordkeeping and sub-transfer agency fees (which include shareholder sub-accounting and networking fees) for recordkeeping and sub-transfer agency services provided to the funds or their service providers by CGMI, its affiliates, or Clearing Firm, as applicable. With respect to the accounts of Retirement Clients, CGMI or its affiliates will not seek or retain any such compensation and will credit the client's account in the amount of any such compensation as soon as possible after receipt by CGMI or its affiliates. Any compensation so credited to a client's account will be treated as additional income and reported as such.

At times, the Models may recommend that clients maintain assets in cash or cash equivalents (including money market mutual funds), particularly for defensive purposes in volatile markets.

#### ***Payment for Order Flow***

Clearing Firm maintains its own policy regarding payment for order flow, which can be found on the back of the periodic customer statements sent by Clearing Firm.

#### ***CGMI and Affiliates Maintain Business Relationships with Companies that May Be Selected or Recommended for Client's Portfolio***

CGMI and its affiliates provide a variety of services for various clients, including issuers of securities that CGMI may recommend for purchase or sale by clients. CGMI performs a wide range of investment banking and other services for various clients, and it is likely that CGMI client holdings will include the securities of issuers for whom CGMI performs investment banking and other services. For example, CGMI client holdings may include ETFs for which CGMI or its affiliates provide services as trustees or custodians. CGMI and its affiliates receive compensation and fees in connection with the provision of the foregoing services. As part of an overall internal compliance program, CGMI has adopted policies and procedures imposing certain conditions and restrictions on transactions for CGMI's own account or the accounts of its employees. Such policies and procedures are designed to prevent, among other things, any improper or abusive conduct when potential conflicts of interest may exist with a customer or client.

CGMI may use client lists when soliciting new clients provided that the existing clients included on such lists have not expressly requested confidentiality, whether in a contract or by written or oral request.

#### **B.4. Financial Information**

CGMI does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, CGMI has not included a balance sheet for its most recent fiscal year. CGMI is not aware of any financial condition that is reasonably likely to impair its ability meet its contractual commitments to clients, nor has CGMI been the subject of a bankruptcy petition at any time during the past ten years.

#### **B.5. Other Information**

CGMI has adopted an error policy aimed at ensuring the prompt and proper detection, reporting and correction of errors involving the accounts of CGMI clients. A trade error is deemed to have occurred when CGMI has: (i) purchased or sold an incorrect financial instrument in a client account; (ii) purchased or sold an incorrect amount of a financial instrument in a client account; (iii) purchased or sold an unauthorized or client restricted security in a client account; (iv) not entered an order for a client account that should have been entered; (v) entered an order for a client account more than once when it should have been entered once (duplicate trade); (vi) misallocated a trade in one or multiple client accounts; or (vii) made an operational mistake that requires market action to correct. The requirements of the error policy apply to the extent that CGMI and/or its affiliates has control of resolving errors for client accounts.

To correct a trading error, CGMI may effect a trade with a client using an error account in order to place the client in the position the client would have been in if the error had not occurred. CGMI will receive no additional compensation and no other benefits from such trade. Gains from trading errors corrected after settlement date are not retained by CGMI and are credited to the client's account at no expense to the client. Losses arising from pre- or post-settlement error corrections are closed out at no expense to the client. Losses arising from post-settlement error corrections in retirement accounts are credited to the client's account with interest at the federal tax penalty rate.

If a particular security is erroneously purchased for a client account and the error is discovered prior to settlement of the transaction, then the erroneously purchased security may be transferred to a separate CGMI error account at no cost to the client. Gains from trading errors that are corrected prior to settlement date are credited against losses resulting from errors on a quarterly basis. At the end of each quarter, net gains, if any, from trading errors that are corrected prior to settlement are remitted as a donation to a charity.