

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 81570 / September 11, 2017**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-16757**

**In the Matter of**

**Citigroup Alternative Investment LLC and  
Citigroup Global Markets Inc.**

**Respondents.**

**NOTICE OF PROPOSED PLAN OF  
DISTRIBUTION AND OPPORTUNITY  
FOR COMMENT**

Notice is hereby given, pursuant to Rule 1103 of the United States Securities and Exchange Commission's ("Commission") Rules on Fair Fund and Disgorgement Plans ("Rules"), 17 C.F.R. § 201.1103, that the Division of Enforcement has submitted to the Commission a proposed plan of distribution ("Plan") for the distribution of monies paid by Citigroup Alternative Investment LLC ("CAI") and Citigroup Global Markets Inc. ("CGMI") (collectively, "Respondents") in the above-captioned matter.

On August 17, 2015, the Commission issued an Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Section 15(b)(4) of the Securities Exchange Act of 1934, and Sections 203(e) and 203(k) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (the "Order")<sup>1</sup> against Respondents. In the Order, the Commission found that Respondents made material misstatements and omissions between 2002 and 2008 relating to both the offer and sale of securities in the two now defunct hedge funds—the ASTA and MAT funds, and the Falcon Strategies fund—as well as the performance of those funds prior to their collapse. As a result of the conduct described in the Order, CAI and CGMI willfully violated Sections 17(a)(2) and 17(a)(3) of the Securities Act of 1933, which prohibit fraudulent conduct in the offer or sale of securities. In addition, CGMI willfully violated Section 206(2) of the Investment Advisers Act of 1940 ("Advisers Act"), which prohibits any adviser from engaging in any transaction, practice or course of business which operates as a fraud or deceit upon any client or prospective client, and CAI willfully violated Section 206(4) of the Advisers Act, which prohibit an investment adviser from providing investment advice to clients without adopting and implementing written policies and procedures reasonably designed to prevent violation of the Act, and Rules 206(4)-7 and 206(4)-8 promulgated thereunder.

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<sup>1</sup> Securities Act Rel. No. 9893 (Aug. 17, 2015).

The Commission ordered the Respondents to pay disgorgement of \$139,950,239.00 and prejudgment interest of \$39,612,089.00. On August 20, 2015, Respondents paid a total of \$179,562,328.00, which comprises the distribution fund (“Distribution Fund”). The Order also required the Respondents to pay all costs and expenses associated with distribution of the Disgorgement Fund, including the fees and expenses of both the Fund and Tax Administrators.

## **OPPORTUNITY FOR COMMENT**

Pursuant to this Notice, all interested persons are advised that they may obtain a copy of the Plan from the Commission’s public website at <http://www.sec.gov/litigation/fairfundlist.htm>. Interested persons may also obtain a written copy of the Plan by submitting a written request to Nancy Chase Burton, Esq., United States Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-5876. All persons who desire to comment on the Plan may submit their comments, in writing, no later than thirty (30) days from the date of this Notice:

1. to the Office of the Secretary, United States Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090;
2. by using the Commission’s Internet comment form (<http://www.sec.gov/litigation/admin.shtml>); or
3. by sending an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov).

Comments submitted should include “Administrative Proceeding File No. 3-16757” in the subject line. Comments received will be publicly available. Persons should submit only information that they wish to make publicly available.

## **THE PLAN**

The Distribution Fund is comprised of \$179,562,328.00 in disgorgement, and prejudgment interest, paid by Respondents, plus accrued interest. The purpose of this Plan is to refund a portion of the investors’ losses between 2002 and 2008. Respondents have identified and provided the Fund Administrator<sup>2</sup> with a list of all investors in the Potentially Eligible Funds, which Respondents represent to be complete and accurate. The Plan provides for the Net Available Distribution Fund to be distributed to Eligible Investors based upon the data provided by Respondents. The distribution methodology allocates the Net Available Distribution Fund to the nine Potentially Eligible Funds in a manner that attempts to equalize recovery of losses

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<sup>2</sup> All capitalized terms used, but not herein defined shall have the same meanings ascribed to them in the Plan.

across those nine Potentially Eligible Funds. Then funds are distributed from each harmed fund on a *pro rata* basis to the harmed investors in that fund.

For the Commission, by its Secretary, pursuant to delegated authority.

Brent J. Fields  
Secretary