

STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT

IN THE MATTER OF: PATRICIA C. FANELLA

FILE NO. 0600367

**NOTICE OF HEARING**

**TO THE RESPONDENT:** Patricia C. Fanella (CRD#: 2291152)  
1272 Hillcrest Boulevard  
Millbrae, California 94030

C/o Citigroup Global Markets Inc.  
Registration Department  
333 West 34<sup>th</sup> Street  
7<sup>th</sup> Floor  
New York, New York 10001

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 69 West Washington Street, Suite 1220, Chicago, Illinois 60602, on the 28th day of February, 2007 at the hour of 10:00 a.m. or as soon as possible thereafter, before George Berbas., Esq. or such other duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether an Order shall be entered revoking Patricia C. Fanella's (the "Respondent") registration as a salesperson in the State of Illinois and/or granting such other relief as may be authorized under the Act including but not limited to the imposition of a monetary fine in the maximum amount pursuant to Section 11.E(4) of the Act, payable within ten (10) business days of the entry of the Order.

The grounds for such proposed action are as follows:

1. That at all relevant times, the Respondent was registered with the Secretary of State as a salesperson in the State of Illinois pursuant to Section 8 of the Act.

2. That on May 10, 2006 an Exchange Hearing Panel of the New York Stock Exchange Inc. (NYSE) accepted a Stipulation of Facts and Consent to Penalty entered into between the Exchange's Division of Enforcement and the Respondent (Decision) in File No. 06-26 which imposed the following sanctions upon the respondent:
  - a. censure;
  - b. three-month suspension from membership, allied membership, approved person status, and from employment or association in any capacity with any member or member organization; and
  - c. an undertaking that she cooperate with Enforcement and testify truthfully in connection with any disciplinary proceedings relating to matters set forth herein.
3. That the Decision found:

**Background and Jurisdiction**

- a. The Respondent was born in July 1968. She entered the securities industry in January 1996 when she became employed with Smith Barney Inc., and became a registered employee in November 1996. She has remained with Smith Barney Inc., a subsidiary of Citigroup Global Markets, Inc. ("CGMI" or the "Firm").
- b. On or about October 8, 2003, CGMI filed with the Exchange a Submission of Required Information Pertaining to Members, Member Organizations, Allied Members, Registered and Non-Registered Employees and Approved Persons ("Form RE-3") reporting disciplinary action had been taken against the Respondent for participating in the removal of documents from the Palo Alto, California branch office (the "Palo Alto Office") in an effort to pass an internal branch audits. The Respondent was suspended for 20 consecutive business days. The Respondent is currently the Operations Manager for the Palo Alto Office.
- c. Enforcement notified the Respondent of its investigation on July 28, 2004, during the Respondent's on the record testimony before the Exchange.

**Overview**

- d. As set forth in detail below, in preparation for internal audits/examinations of the Palo Alto Office during the period 1997 through 2001, the Respondent, an employee of the Palo Alto Office, altered records of the Firm by adding information after the fact, such as initials or signatures indicating timely supervisory review, and by back dating documents, caused other employees to alter such documents and caused her member firm employer to preserve inaccurate books and records.

**Altering Documents and Causing Other Employees to Alter Documents**

- e. In preparation for upcoming internal examinations during the period 1997 through 2001, the Respondent, among other employees from the Palo Alto Office, collected and reviewed documents requested by the Firm's Branch Examinations Department.
- f. While reviewing these documents in anticipation of the examinations, the Respondent, flagged certain documents that were missing the required signatures or initials, or were otherwise non-compliant with Firm policies and procedures.
- g. Based upon her understanding of protocol at the Palo Alto Office, the Respondent also instructed subordinate employees at the Palo Alto Office to flag certain documents that were missing the required signature, initials, or were otherwise non-compliant with Firm policies and procedures.
- h. If documents were missing the required signatures or initials, the Respondent would place the missing signatures or initials on the documents or give the documents to another manager to add the missing signatures or initials, so that it appeared as if branch supervisory personnel had reviewed the documents.
- i. If the documents could not be so easily corrected, the Respondent would remove them so that they would not be subject to the auditors' review, then return the documents after the audit.
- j. That by virtue of the foregoing, the Respondent violated NYSE Rule 476(a)(6) by engaging in conduct inconsistent with just and equitable principles of trade in that she altered records of her member firm employer without proper authority.

**Books and Records**

- k. By removing certain documents, adding missing signatures or initials to other documents and causing other employees to alter such documents, the Respondent caused the Firm's books and records to contain inaccurate information in violation of Section 17(a) of the Securities Exchange Act of 1934 and Rule 17a-4 there under, and Exchange Rule 440.
  
4. That Section 8.E(1)(j) of the Act provides, *inter alia*, that the registration of a salesperson may be revoked if the Secretary of State finds that such salesperson has been suspended by any self-regulatory organization registered under the Federal 1934 Act or the Federal 1974 Act arising from any fraudulent or deceptive act or a practice in violation of any rule, regulation or standard duly promulgated by the self-regulatory organization.
  
5. That the NYSE is a self-regulatory organization as specified in Section 8.E(1)(j) of the Act.
  
6. That by virtue of the foregoing, the Respondent's registration as a salesperson in the State of Illinois is subject to revocation pursuant to Section 8.E(1)(j) of the Act.

You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 ILL. Adm. Code 130)(the "Rules"), to file an answer to the allegations outlined above within thirty (30) days of the receipt of this Notice. A failure to file an answer within the prescribed time shall be construed as an admission of the allegations contained in the Notice of Hearing.

Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default, unless any Respondent has upon due notice moved for and obtained a continuance.

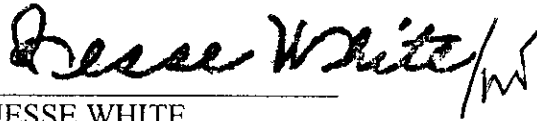
A copy of the Rules, promulgated under the Act and pertaining to hearings held by the Office of the Secretary of State, Securities Department, is included with this Notice.

Notice of Hearing

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Delivery of Notice to the designated representative of any Respondent constitutes service upon such Respondent.

Dated: This 9<sup>TH</sup> day of January 2007.

A handwritten signature in black ink that reads "Jesse White" with a stylized flourish at the end.

JESSE WHITE  
Secretary of State  
State of Illinois

Attorney for the Secretary of State:  
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Illinois Securities Department  
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Hearing Officer:  
George Berbas  
180 N. LaSalle Street  
Chicago, Illinois 60601