STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: P. CAMPBELL HILLSTROM	)	**FILE NO. 0500209**

NOTICE OF HEARING

TO THE RESPONDENT: P. Campbell Hillstrom
(CRD#: 3133126)
1440 W. George Street
Chicago, Illinois 60657

C/o Citigroup Global Markets, Inc.
390-388 Greenwich Street
New York, New York 10013-2396

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") and 14Ill. 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 September, 2005 at the hour of 10:00 a.m. or as soon as possible thereafter, before James L. Kopecky, 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 P. Campbell Hillstrom'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 January 26, 2005 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. 05-17 which imposed the following sanctions:

   a. censure;

   b. nine week suspension from membership, allied membership, approved person status and from employment or association in any capacity with any member or member organization; and

   c. $40,000 fine

3. That the Decision found:

   a. The Respondent was born on April 1, 1970. In September 1993, he entered the securities industry as a floor trader on an overseas futures exchange. He remained in that position for two years until he entered Columbia University Business School, and earned an M.B.A. in finance in 1998. In August 1998, he began a training program with the Firm, (prior to April 2003, the Firm's business entity name was Salomon Smith Barney, Inc.), where he is currently employed as an Institutional Equity Salesman in the Firm's Chicago, Illinois branch office. He has been employed in the securities industry for seven years and has not been the subject of disciplinary action.

   b. In June 2000, the respondent authored and circulated an e-mail to two customers and certain employers of the Firm relating to a particular listed company (the "Company"). Another institutional salesman employed by the Firm received the Respondent's e-mail and without his knowledge or approval, forwarded it to customers of the Firm.

   c. In the e-mail, the Respondent stated that a research analyst of the Firm did not cover three of the four companies mentioned, including the Company. At least one recipient of the e-mail misread it to state that a firm analyst covered Company stock and had downgraded it. This misperception, in addition to certain information contained in the e-mail, caused an increase in the Company's trading volume and a decline in its stock price, both of which differed significantly from the stock's activity in the prior two-week period.

d. The Division of Market Surveillance ("MKS"), opened an investigation to review the trading activity of the Company, and later investigated the circumstances surrounding the publication of an e-mail from the Respondent relating to the Company. MKS subsequently referred the matter to Enforcement, and by letter dated January 14, 2002, the Respondent was notified of the Exchange's investigation.

e. As set forth below, in June 2000, the Respondent violated Exchange Rules in that he drafted and sent an electronic communication, which contained misleading information about Company stock that he attributed to a Firm analyst. In addition, in the e-mail, although he stated that the Firm did not cover the stock, the electronic communication resulted in a misperception in the market that a Firm analyst had downgraded the stock. This misperception, in addition to certain information contained in the e-mail, caused a sharp decline in the stock's price.

f. On June 20, 2000, the Respondent and an equity analyst ("analyst") for the Firm specializing in the apparel, footwear and textile industries, met at a client meeting in Chicago. After the meeting, the Respondent and the analyst discussed three or four apparel companies, including the Company.

g. In response to a request by the Respondent for ideas of issuers to short, the analyst told the Respondent that there was concern in the industry relating to the inventory levels and backlog numbers of the Company; however, she told him that she did not cover or prepare market analyses relating to the Company.

h. Upon returning to his office at the Firm's Chicago, Illinois branch, the Respondent researched the companies discussed with the analyst, including the Company. He then wrote an e-mail about short ideas related to these companies. Some of the information contained in the e-mail came from his discussions with the analyst; however, he did not verify or confirm the information in the e-mail with the analyst. He sent the e-mail in the early afternoon of June 20, 2000.

i. In addition to the Company, the Respondent's e-mail referenced three other companies. The subject line of the e-mail was "Short ideas in Apparel Names." In his opening comments, he wrote, "Just spent some time with [the analyst], our Apparel &

Footwear analyst, and she had several ideas for shorts, listed below in order of urgency. [Another specified company] is the only name we have under coverage."

j. Referring to the Company, the Respondent wrote the following in his e-mail:
The high-end jeans maker is rapidly trying to grow - adding 30 retail stores by year-end after not adding any for several years. Its jeans are not nearly as hot as they once were, yet they are expanding more rapidly than years past. [She] is confident the two brothers who run the company cannot manage their way during down times. Its sales backlog is grossly inflated because it sends products to its retail stores and books it as backlog. [She] tells me this is unheard of in the industry, and that by definition backlog must come from outside vendors. She thinks it is not unlikely that they miss numbers in the months ahead, and that they will have big problems down the road. She passed on the banking business, as did other major houses, when they were looking to do a secondary this spring, that they later pulled because of market conditions. Stock has fallen a lot, but she thinks it can go a lot lower, as earnings quality further deteriorates.

k. Without discussing or confirming the content of the e-mail with the analyst, the Respondent sent the e-mail to two of his clients who had previously expressed interest in short ideas, particularly relating to the apparel industry. He also sent the e-mail to several other salesmen in the Firm and to his direct supervisor, the Firm's Illinois branch office manager, who was on vacation. One of the salesman to whom he sent the e-mail thereafter forwarded his e-mail to approximately 13 clients at seven financial services companies interested in retail stocks.

l. The Respondent's e-mail contained certain inaccurate and misleading information related to the Company. For example, he asserted in his e-mail that the Company was "adding more than 30 retail stores ... after not adding any for several years." The company, however, had opened many stores over the past few years. Further, his assertion that the Company's "jeans are not nearly as hot as they once were," was misleading in that, according to the analyst, during 2000 the jeans were selling very well in status denim.

m. Moreover, in the e-mail, the Respondent stated that the Company's sales backlog was "grossly inflated," whereas the analyst had stated that there was some confusion as to what the company included in its backlog numbers.

n. On June 20, 2000, the Company opened at a price of $15^{15/16.}$ After the Respondent sent the e-mail, the price of the Company began to decline and closed at $15^{14/16}$, or .625 cents lower than its opening price. On the morning of June 21, 2000, the price of the Company opened at $15^{10/16.}$ or .25 cents lower than its closing price on June 20, 2000. Thereafter, during the day on June 21, the Company's stock fell $5.625 before beginning a recovery. The stock traded at a low of $11^{2/16}$ and closed at a price of $13^{8/16}$, or $2.375 lower than its opening price. The volume of the stock on the Exchange was approximately ten times its average volume for the two-week period immediately preceding June 21, 2000.

o. The Respondent's e-mail resulted in a misperception in the market that the analyst had downgraded the stock. On June 21, 2000, Dow Jones news service issued a news report quoting analysts and a Company spokesperson, each of whom had received the Respondent's e-mail. Each attributed the activity in the Company's stock to his e-mail.

p. Under "General Standards for All Communications," as specified in Exchange Rule 472.30(i), which was in force and effect in June 2000, "[n]o member or member organization shall utilize any communication which contains any untrue statement or omission of a material fact or is otherwise false or misleading." (In the Exchange's Constitution and Rules, as revised in August 2003, Exchange Rule 472.30(i) was redesignated as Exchange Rule 472(i), under a section titled, "General Standards for All Communications.").

q. Exchange Rule 472.10, defines "communication" to "include, but is not limited to advertisements, market letters, research reports, sales literature, electronic communications, communications in and with the press and wires and memoranda to branch offices or correspondent firms which are shown or distributed to customers or the public."

r. Exchange Rule 476(a)(6) prohibits member organizations and employees of member organizations from engaging in practices

that constitute conduct inconsistent with just and equitable principles of trade.

s. Based upon these governing rules, the Respondent violated Exchange Rules 472.30(i) and 476(a)(6) in that, prior to sending the e-mail relating to the Company to customers, he did not review the e-mail with the analyst. As a result, he caused a violation of Exchange Rule 472.30(i) by sending a communication concerning securities that caused misleading information to reach the marketplace.

t. In addition, the Respondent violated Exchange Rule 476(a)(6), in that he engaged in conduct inconsistent with just and equitable principles of trade by disseminating an electronic communication without verifying the information contained in the e-mail, and which had a negative market impact.

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(l)(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 130.1104of 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.

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

DATED: This _3rd_____ day of August 2005.

_____
JESSE WHITE
Secretary of State
State of Illinois

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