

**STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT**

IN THE MATTER OF: ROBERT E. SCHNELLE

FILE NO. 0400271

**ORDER OF REVOCATION**

TO THE RESPONDENT: Robert E. Schnelle  
(CRD #: 414544)  
3508 Cambridge Court  
Unit 101  
Danville, Illinois 61832

WHEREAS, the above-captioned matter came on to be heard on June 23, 2004, pursuant to the Notice of Hearing dated May 3, 2004, FILED BY Petitioner Secretary of State, and the record of the matter under the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") has been reviewed by the Secretary of State or his duly authorized representative.

WHEREAS, the rulings of the Hearing Officer on the admission of evidence and all motions are deemed to be proper and are hereby concurred with by the Secretary of State.

WHEREAS, the proposed Findings of Fact, Conclusions of Law and Recommendations of the Hearing Officer, Soula J. Spyropoulos, Esq. in the above-captioned matter have been read and examined.

WHEREAS, the proposed Findings of Fact of the Hearing Officer are correct and are hereby adopted as the Findings of Fact of the Secretary of State:

1. Section 130.1102 of Subpart K of the Rules and Regulations of the Illinois Securities Law of 1953 (the "Rules and Regulations") states that each respondent shall be given a Notice of Hearing at least 45 days before the first date set for any hearing under the Act. Proper notice is given by depositing a Notice of Hearing with the United States Postal Service (the "U.S.P.S."), either by certified or registered mail, return receipt requested,

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or by the personal service of the Notice of Hearing to the last known address of the Respondent.

As per Exhibit 1, on May 3, 2004, the Department deposited the Notice of Hearing on the File, the Notice, with the U.S.P.S. by certified mail, return receipt requested, to Respondent's last known address. The Notice was, thus, given on May 3, 2004. The Notice marks as the first date set for hearing the date of June 23, 2004, a date occurring over 45 days after Respondent was given the Notice. Therefore, the service of the Notice upon Respondent by the Department was proper.

2. Section 11.F(1) of the Act provides that the Secretary of State shall not undertake any action or impose a fine against a registered salesperson of securities within the State of Illinois for a violation of the Act without first providing the salesperson an opportunity for hearing upon not less than 10 days notice given by personal service or registered mail or certified mail, return receipt requested, to the person concerned.

As per Exhibit 1, Respondent was properly notified of his opportunity to be heard on the File via the Department's timely provision thereto of the Notice. As discussed in Paragraph 1 above, the Department served the Notice upon Respondent on May 3, 2004, a date well over 10 days before the Respondent's scheduled opportunity to be heard on June 23, 2004. Therefore, because the Department gave proper notice of the hearing to Respondent, the Department has personal jurisdiction over Respondent.

3. Respondent failed to appear, whether personally or through counsel, at the hearing.
4. The Department offered exhibits, identified above, each of which was received and admitted into evidence, a proper record of all proceedings having been made and preserved as required.
5. At the hearing, the Department presented the Hearing Officer with their motion for Respondent to be deemed to have admitted to the allegations of the Notice, which motion was based upon Section 130.1104(b) of the Rules and Regulations, and with their motion for a finding of default against Respondent, which motion is based upon Section 130.1109 of the Rules and Regulations. After hearing thereon, the Hearing Officer ruled in favor of the Department on both motions.
6. At all material and relevant times Respondent was registered with the Secretary of State as a salesperson pursuant to Section 8 of the Act until June 3, 2002.

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7. On January 19, 2004, without admitting or denying the findings alleged by NASD as per the Complaint, Respondent consented to NASD's entry of the Letter of AWC executed thereby. The Letter of AWC, entered as an order on February 26, 2004, bars Respondent from association in any capacity with any NASD member.

The Letter of AWC finds:

- a. During all times mentioned [in the Letter of AWC], T.L. and L.G. were members of the public.
- b. On or about September 21, 1999, L.G. gave Respondent a check in the approximate amount of \$5,442.00 which was to be applied to an existing life insurance policy. Instead, on or about September 21, 2001, Respondent applied only \$1,442.00 to the existing life insurance policy as directed, and misappropriated the remaining amount of \$4,000.00 by loaning the same amount of \$4,000.00 to one of his relatives, without the knowledge or consent of L.G., in violation of NASD Conduct Rule 2110.
- c. T.L. gave Respondent a check in the amount of \$1,800.00 on or about August 18, 2001, and a check in the amount of \$2,300.00 on or about February 6, 2002, both of which checks were to be invested in a security in the form of a universal variable life insurance policy that was offered and had been issued by American General Life Insurance Company, an affiliate of the Member. Without T.L.'s knowledge and authorization, Respondent cashed the checks and misused the funds by commingling the funds with funds belonging either to him or to other members of the public, in violation of NASD Conduct Rules 2110 and 2330(a).

WHEREAS, the proposed Conclusions of Law made by the Hearing Officer are correct and are hereby adopted as the Conclusions of Law of the Secretary of State:

1. The Secretary of State has jurisdiction over the subject matter hereof pursuant to the Act.
2. Section 8.E(1)(j) of the Act provides, *inter alia*, that the registration of salespeople registered within the State of Illinois may be revoked if the Secretary of State finds that such have 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

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in violation of any rule, regulation, or standard duly promulgated by the self-regulatory organization.

Section 8.E(3) of the Act provides, *inter alia*, that withdrawal of an application for registration or withdrawal from registration as a salesperson becomes effective thirty (30) days after receipt of an application to withdraw or within such shorter period of time as the Secretary of State may determine. If no proceeding is pending or instituted and withdrawal automatically becomes effective, the Secretary of State may nevertheless institute a revocation or suspension proceeding within two (2) years after withdrawal became effective and enter a revocation or a suspension order as of the last date on which registration was effective.

3. Until June 3, 2002, Respondent had been a registered salesperson of securities in the State of Illinois. Respondent has since had entered against him an order, the Letter of AWC, that, because of Respondent's having misappropriated, misused, and commingled funds belonging to two (2) customers permanently bars him from association with any NASD member in any capacity. Respondent's actions were, thus, in contravention of, or violative of, Conduct Rules 2110 and 2330(a) of NASD, a self-regulatory organization registered under the Federal 1934 Act.

Hence, the sanction against Respondent per the order clearly arose from fraudulent or deceptive acts or practices in violation of rules, regulations, or standards duly promulgated by a self-regulatory organization, the NASD, registered under the Federal 1934 Act.

Further, because Respondent withdrew his registration, or his application for registration, as a salesperson of securities in the State of Illinois on June 3, 2002, a date less than two (2) years before the date on which the Department instituted revocation proceedings against Respondent, which date is May 3, 2004, the Secretary of State may enter a revocation or suspension order as of the last date on which Respondent's registration was effective: June 3, 2002.

4. Under and by virtue of the foregoing, Respondent's registration as a salesperson of securities in the State of Illinois is subject to revocation pursuant to Section 8.E(1)(6) and 8.E(3) of the Act.

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WHEREAS, the Hearing Officer recommended that the Secretary of State should revoke the Respondent's registration as a salesperson in the State of Illinois, and the Secretary of State adopts in its entirety the Recommendation made by the Hearing Officer.

NOW THEREFORE, IT SHALL BE AND IS HEREBY ORDERED:

1. That Robert E. Schnelle's registration as a salesperson in the State of Illinois is revoked as of June 3, 2002 pursuant to the authority provided under Sections 8.E(1)(j) and 8.E(3) of the Act.
2. That this matter is concluded without further proceedings.

DATED: This 8<sup>th</sup> day of July 2004.



JESSE WHITE  
Secretary of State  
State of Illinois

This is a final order subject to administrative review pursuant to the Administrative Review Law [735 ILCS 5/3-101 et seq.] and the Rules and Regulations of the Act (14 Ill. Admin. Code, Ch. 1 Sec. 130.1123). Any action for judicial review must be commenced within thirty-five (35) days from the date a copy of this Order is served upon the party seeking review.