

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

IN THE MATTER OF: ROBERT E. SCHNELLE

FILE NO. 0400271

NOTICE OF HEARING

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

You are hereby notified that, pursuant to Section 11.F of the Illinois Securities Law of 1953 (815 ILCS 5 et. seq.) (the "Act") and 14 Ill. Adm. Code 130, Subpart K (the "Rules"), a public hearing is scheduled to be held at 17 North State Street, Suite 1220, Chicago, Illinois 60602, on the 23rd day of June 2004, at 10:00 a.m., or as soon thereafter as counsel may be heard, before Soula J. Spyropoulos, Esq., or another duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether an Order shall be entered revoking Robert E. Schnelle'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 Respondent was registered with the Secretary of State as a salesperson in the State of Illinois pursuant to Section 8 of the Act until June 3, 2002.
2. That on February 26, 2004 NASD entered a Letter Of Acceptance, Waiver And Consent (AWC) submitted by the Respondent regarding FILE NO.

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C8A040009 which barred him from association in any capacity with any member of the NASD.

3. That the AWC found:
 - a. During all times mentioned herein, T.L. and L.G. were members of the public.
 - b. On or about September 21, 1999, L.G. gave the Respondent a check in the approximate amount of \$5,442 which was to be applied to an existing life insurance policy. Instead, on or about September 21, 2001, the Respondent applies only \$1,442 to the existing life insurance policy as directed, and misappropriated the remaining \$4,000 by loaning the \$4,000 to one of his relatives, without the knowledge or consent of L.G., in violation of NASD Conduct Rule 2110.
 - c. T.L. gave the Respondent a check in the amount of \$1,800 on or about August 18, 2001, and a check in the amount of \$2,300 on or about February 6, 2002, both of which 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, the Respondent cashed the checks and misused the funds by commingling the funds with funds belonging to either him or other members of the public, in violation of NASD Conduct Rules 2110 and 2330(a).
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 NASD is a self-regulatory organization as specified in Section 8.E(1)(j) of the Act.
6. That Section 8.E(3) of the Act provides, inter alia, withdrawal of an application for registration or withdrawal from registration as a salesperson, becomes effective 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

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automatically becomes effective, the Secretary of State may nevertheless institute a revocation or suspension proceeding within 2 years after withdrawal became effective and enter a revocation or suspension order as of the last date on which registration was effective.

7. 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 include with this Notice.

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

DATED: This 3rd day of May 2004.



JESSE WHITE
Secretary of State
State of Illinois

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Attorney for the Secretary of State:

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Hearing Officer:

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