



*United States Attorney  
Southern District of New York*

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FEDERAL JURY CONVICTS FORMER STOCK BROKER ON  
SEVEN COUNTS FOR DEFRAUDING CLIENTS

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, and RON WALKER, Inspector-In-Charge of the New York Division of the United States Postal Inspection Service, announced that a federal jury in Manhattan today convicted KEVIN O. KELLEY on seven counts of securities fraud and wire fraud for defrauding investors in four securities over the period 1999 through 2004. In total, losses from the fraud according to trial evidence were in excess of approximately \$2.5 million.

According to the evidence at trial, KELLEY, a former stock broker who worked in and resides in Connecticut, schemed to defraud investors in four separate investments. In two of the schemes, KELLEY claimed to sell investors stock in two private companies, E-Tel Inc. and AusAm Biotech, Inc., but instead misappropriated the investors' funds and used the funds on his personal matters. In a third scheme, KELLEY sold to investors securities in a partnership in which he owned a controlling interest called First Venture Leasing, without disclosing his personal ownership and involvement in that company. KELLEY also misled investors about the true value of their investments in E-Tel, AusAm and First Venture Leasing by providing them with false account statements. In the fourth scheme, KELLEY bought investors stock in a publicly traded company, Coyote Network Systems, without authorization from the clients, and without disclosing that he was to receive significant quantities of stock if the stock price increased to certain designated levels.

KELLEY was convicted of four counts of securities fraud and three counts of wire fraud. These charges carry a combined maximum sentence of 100 years' imprisonment. KELLEY is scheduled to be sentenced by United States District Judge KIMBA WOOD, at a date to be determined.

Mr. GARCIA praised the investigative efforts of the United States Postal Inspection Service.

Assistant United States Attorneys STEVEN D. FELDMAN and LAWRENCE GERSCHWER are in charge of the prosecution.

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