ADMINISTRATIVE PROCEEDING
FILE NO. 3-4397

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

In the Matter of	:
JOHN O. KVALSTEN	:
(Teig Ross, Inc. 8-16864)	:
	:

INITIAL DECISION

Washington, D.C.
October 14, 1975

Warren E. Blair
Chief Administrative Law Judge

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APPEARANCES: Barry D. Goldman and Robert S. Luce, of the Chicago Regional Office of the Commission, for the Division of Enforcement.

Robert M. Frazee, of Meagher, Geer, Markham, Anderson, Adamson, Flaskamp & Brennan, for John O. Kvalsten.

BEFORE: Warren E. Blair, Chief Administrative Law Judge

These public proceedings were instituted pursuant to Sections 15(b) and 15A of the Securities Exchange Act of 1934 ("Exchange Act") and Section 10(b) of the Securities Investor Protection Act of 1970 ("SIPA") by order of the Commission dated November 13, 1973 ("Order"). The Order directed that a public hearing be held to determine whether the respondents named therein[1/] had engaged in the misconduct charged by the Division of Enforcement ("Division") and what, if any, remedial action pursuant to the Exchange Act and SIPA is appropriate in the public interest.

At the outset of the hearing, the Division announced that settlement negotiations were in progress as to all individual respondents except John O. Kvalsten ("Kvalsten") and that Kvalsten would be the sole respondent participating in the hearing.[2/] As to Kvalsten, the Division alleged in substance that respondent wilfully violated and wilfully aided and abetted violations of Section 17(a) of the Securities Act of 1933 ("Securities Act") and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder in the offer and sale of common stock of Imperial Engineering, Inc. ("Imperial Engineering") in that false representations were made to purchasers and prospective purchasers that proceeds from sales of that stock would be deposited weekly in a specified bank escrow account during the period of the offering. Kvalsten was also charged with aiding and abetting Teig Ross, Inc. ("registrant") in a violation of Section 15(c)(2)

1/ Teig Ross, Inc., Robert K. Hill, John O. Kvalsten, Elmer R. Schwartz, Burton W. Beidelman, and Gene L. Muilenburg were also named as respondents. On July 1, 1975 the Commission issued its Findings and Order revoking the broker-dealer registration of Teig Ross, Inc., Securities Exchange Act Release No. 11510.

2/ Findings herein are made only as to respondent John O. Kvalsten. Hereinafter, unless otherwise indicated, the word "respondent" refers only to Kvalsten.

of the Exchange Act and Rule 15c2-4 thereunder which arose out of registrant's failure to escrow the proceeds from sales of Imperial Engineering stock and failure to transmit those proceeds to the persons entitled thereto when the offering of Imperial Engineering stock was either completed or canceled. The Division further alleged that Kvalsten aided and abetted registrant's violation of Section 15(c)(3) of the Exchange Act and Rules 15c3-1 ("Net Capital Rule") and 15c3-3 thereunder resulting from its failure to have the necessary net capital and to deposit cash or qualified securities in a "Special Reserve Account for the Exclusive Benefit of Customers" as required by those rules. Respondent was also alleged to have aided and abetted registrant's violations of other regulatory provisions and rules under the Exchange Act which resulted from registrant's (1) failure to make and keep current its books and records as required by Rule 17a-3, (2) failure to file an accurate financial report of its financial condition as required by Rule 17a-11, (3) failure to post unresolved differences to its books and records as required under Rule 17a-13, and (4) failure to promptly file amendments to its Form BD application for registration as required by Rule 15b3-1. Additionally, the Division charged respondent (1) with aiding and abetting registrant in its violations of Section 7(c) of the Exchange Act and Regulation T thereunder promulgated by the Board of Governors of the Federal Reserve System, and (2) with having failed reasonably to supervise persons who were subject to his supervision to prevent violations committed by those persons.

Respondent appeared through counsel who participated throughout the hearing. As part of the post-hearing procedures, successive filings of proposed findings, conclusions, and supporting briefs were specified. Timely filings thereof were made by the parties.

The findings and conclusions herein are based upon the preponderance of the evidence as determined from the record and upon observation of the witnesses.

REGISTRANT

Teig Ross, Inc., a Minnesota corporation with its principal place of business in Minneapolis, Minnesota, became registered as a broker-dealer pursuant to the Exchange Act on May 31, 1972. As a consequence of an injunctive action instituted by the Commission in February, 1973,[3/] registrant was preliminarily enjoined from further violations of Sections 15(c)(3) and 17(a) of the Exchange Act and Rules 15c3-1, 15c3-3 and 17a-11 thereunder.[4/] On the same day, the Securities Investor Protection Corporation ("SIPC") filed an application in the Commission's injunctive action seeking appointment of a trustee pursuant to Section 5(b)(3) of the SIPA for the purpose of liquidating registrant's business, with the result that a liquidating trustee took over registrant on February 26, 1973.

3/ SEC v. Teig Ross, Inc., Civil Action File No. 4-73 Civ. 107 (D.C. Minn. February 20, 1973).

4/ Rules 15c3-1 requiring the maintenance of a minimum net capital, 15c3-3 requiring creation of a special reserve bank account for the exclusive benefit of customers, and 17a-11 requiring a report of financial condition from a broker-dealer whose net capital is less than the minimum required under Rule 15c3-1 were promulgated by the Commission to provide safeguards for the investing public against financially unstable broker-dealers.

RESPONDENT

Kvalsten became associated with registrant and a holder of 10% or more of its capital stock at the time of its incorporation in 1967. After holding several different offices in the firm for various periods, respondent was elected registrant's president and treasurer on January 2, 1973. For the succeeding two months from that date until February 26, 1973, when the liquidating trustee was appointed, respondent acted as registrant's chief operating officer and compliance officer, and also served as a member of its board of directors.

VIOLATIONS

Fraud

In connection with a proposed offering of 125,000 shares of Imperial Engineering common stock at $3 per share pursuant to Regulation A under the Securities Act, 5/ registrant agreed to act as the underwriter on a best efforts basis. Under the terms of the underwriting agreement the proceeds from sales of the stock were to be escrowed with a Minneapolis bank during the offering and if less than all of the common stock offered were sold during the offering period the proceeds of the shares sold were to be returned by registrant to the purchasers thereof. Registrant commenced offering the Imperial Engineering stock on or about November 28, 1972 and sold 10,900 shares pursuant to the underwriting before Kvalsten canceled the offering on January 26, 1973 because of lack of confidence in the engineering device being promoted by Imperial Engineering.

5/ File No. 24C-3511.

Contrary to the undertaking and representations in the offering circular, proceeds from the sales of the 10,900 shares of Imperial Engineering stock were not deposited in an escrow account although such an account was established for that purpose. Instead, registrant deposited the proceeds of the underwriting amounting to $32,700 in a bank account which it could draw on for funds to use for general purposes. Following the cancellation of the offering, Kvalsten attempted to have registrant repay the proceeds of the offering by offsetting the amount paid by a customer for Imperial Engineering stock against the debit balances where one existed in his account or sending the customer a check if he was not indebteded to registrant.[6/] Kvalsten then learned that registrant had insufficient funds with which to honor those checks.

It is obvious, and there is no dispute, that registrant's failure to escrow the proceeds received from the offering of Imperial Engineering stock in accordance with the representations in the offering circular resulted in offers and sales of that security being made to purchasers and prospective purchasers by means of materially false and misleading statements concerning the nature of and the risks attendant upon investing in Imperial Engineering, at best at a highly speculative venture, and entrusting registrant with their money in connection with that investment. Registrant is therefore found to have, as alleged by the

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6/ Of the 60 customers purchasing Imperial Engineering stock in the offering, 30 were issued checks representing the full amounts paid to registrant, 3 were issued checks representing the excess of the moneys paid registrant over the debit balances shown in their accounts, and 27 received a credit in their accounts of the amount paid to apply against pre-existing debits.

Division, offered and sold Imperial Engineering stock by means of false and misleading statements. Because registrant's offering and selling of that stock continued for approximately one month after Kvalsten assumed the stewardship of registrant with knowledge of the Imperial Engineering underwriting and the representations relating to the escrowing of proceeds, it is concluded that he must be held accountable for the fraudulent offers and sales actually made by registrant during his tenure as president and chief operating officer.[7/] Additionally, by reason of his control of registrant, a vicarious responsibility attached to respondent for registrant's earlier misconduct which he failed to correct by causing registrant to deposit sufficient money in escrow to meet its obligation under the continuing underwriting.[8/] Accordingly, it is found that Kvalsten wilfully violated and wilfully aided and abetted violations of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

Further, under Rule 15c2-4 of the Exchange Act, it was a "fraudulent, deceptive or manipulative act or practice" as used in Section 15(c)(2) of the Exchange Act for registrant to accept moneys from purchasers of Imperial Engineering stock in the course of the underwriting without placing those funds in escrow. Registrant's deposit of the $32,700 received from those purchasers in its general bank account instead of in an appropriate escrow account was therefore a wilful violation of Section 15(c)(2)

7/ Cf. Aldrich, Scott & Co., Inc., 40 S.E.C. 775 (1961).

8/ Cf. F.S. Johns & Company, Inc., 43 S.E.C. 124, 130 (1966); Wright, Myers & Bessell, Inc., 42 S.E.C. 340, 346 (1964).

of the Exchange Act and Rule 15c2-4. Since respondent had and exercised control of registrant during the last month of the Imperial Engineering underwriting, he assumed responsibility and became accountable for registrant's derelictions in the course of the underwriting, and must be found to have wilfully aided and abetted violations of Section 15(c)(2) of the Exchange Act and Rule 15c2-4 thereunder.

Respondent takes the position that although registrant wilfully violated the anti-fraud provisions of the securities acts and Rules 10b-5 and 15c2-4 under the Exchange Act from about November 28, 1972 to January 26, 1973, he did not, and should be found only to have failed reasonably to supervise persons subject to his supervision with a view to preventing those violations. In support, respondent claims to have taken every reasonable step to cure the deficiencies surrounding the offering, pointing to the fact that after consulting with independent engineers he had canceled the underwriting and directed the funds to be returned. Respondent also argues that he was not active in registrant's operations at the time the offering was initiated and should not be held responsible for the failure of his predecessors to set up the required escrow account. These arguments are to no avail for they overlook or ignore respondent's acceptance of responsibility for and direction of registrant's activities for a sufficient period in which corrective action could and should have been taken to protect the rights of purchasers who had relied upon representations that registrant would safeguard the moneys invested in Imperial Engineering until conditions for the release of the escrow had been met, and to rectify

registrant's failure to create the escrow required under the terms of the offering and Rule 15c2-4 under the Exchange Act. Respondent cannot be permitted to accept the title and position of registrant's president and chief operating officer and then disclaim responsibility for registrant's misconduct under circumstances which reflect that he knew or should have known that corrective action on his part was required.[9/] On this record, respondent has not been shown merely to have failed to supervise, but to have actually as well as negligently pursued a course of conduct as a principal and as an aider and abettor of fraudulent offers and sales of Imperial Engineering stock.[10/]

Regulatory Provisions

Rule 15c3-1
Rule 15c3-3
Rule 17a-3
Rule 17a-11
Rule 17a-13

During the latter months of 1972, registrant filed reports of its financial condition with the Commission pursuant to the requirements of Rule 17a-11 under the Exchange Act. On January 17, 1973, registrant filed its report for December, 1972 which purported to reflect registrant's compliance with Rule 15c3-1 ("Net Capital Rule") and that registrant had adjusted net capital of $34,448 and aggregate indebtedness of $322,187 as of December 31, 1972, which gave it a ratio of aggregate indebtedness to net capital of 9.4 to 1, well within the limits of the Net Capital Rule.

9/ Cf. Aldrich, Scott & Co., Inc., supra.

10/ In view of the finding that respondent acted as a principal in these violations, it would not be appropriate to find that he failed to supervise with a view to preventing those violations. Cf. Charles E. Marland & Co., Inc., Securities Exchange Act Release No. 11065 (1974); Fox Securities Company, Inc., Securities Exchange Act Release No. 10475 (1973).

Early in February, 1973, a securities compliance examiner on the staff of the Commission's Chicago Regional Office ("CRO") had occasion to conduct a broker-dealer inspection of registrant which included a computation of registrant's net capital and reserves. According to the CRO computation, registrant had a net capital deficit of $90,285 and a net capital deficiency of $106,309 as of December 31, 1972 rather than the net capital of $34,448 as of that date which registrant had claimed in its December Rule 17a-11 report. The differences in the computations of registrant and the CRO are primarily attributable to registrant's failure to deduct unsecured customer debits of $77,745; to deduct unresolved short security count differences with a market value of $19,795; and to correctly reflect its cash position as an overdraft of $10,326 rather than $15,742 on hand, a difference of $26,068.

The CRO also reviewed registrant's net capital position as of January 31, 1973 and found that according to its calculations registrant had a net capital deficit of $60,159 and a net capital deficiency of $91,837 as of that date. The CRO examiner further determined that registrant had net capital deficiencies continuously during the period December 31, 1972 through February 9, 1973 and had effected over-the-counter securities transactions on a daily basis during that period.

In connection with the unresolved short security count differences that entered into the reconciliation of registrant's net capital computation as of December 31, 1972 with that of the CRO, the CRO examiner learned that registrant's auditors had conducted a security count on January 2, 1973 which had disclosed that as of December 31, 1972 there were 25 differences

or out-positions between the count and registrant's books. Those unresolved differences were never posted to registrant's books and records in accordance with the requirements of Rule 17a-13 under the Exchange Act.[11/]

As part of the inspection, the CRO reviewed computations reflected on registrant's books and records of the amounts registrant was to deposit in a "Special Reserve Account for Exclusive Benefit of Customers" in order to comply with Rule 15c3-3 under the Exchange Act. According to the schedule prepared by the CRO, the accuracy of which is not disputed, registrant's calculations indicated that no deposit was required under Rule 15c3-3 on January 26, 1973 or February 2, 1973 and that $28,357 would suffice on February 9, 1973; on those respective dates the CRO calculated deposits of $20,272, $26,271, and $46,160 were necessary.

In consequence of registrant's books and records (1) reflecting a $15,742 cash position on its trial balance rather than a $10,326 overdraft, (2) lacking an adjusting entry to cash to disclose the actual cash position, (3) failing to reflect the short security differences in the general ledger and securities position record, and (4) including an incorrect net capital computation as of December 31, 1972, it is found that registrant's books and records were materially deficient and inaccurate. Since the provisions of Rule 17a-3 that a broker-dealer make and keep current certain books and records are not complied with unless those books and records are accurate,[12/] it is concluded that registrant, during the

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11/ Rule 17a-13 required registrant, at least once quarterly, to physically examine and count all securities held and to record on its books and records within 7 days after the count all unresolved differences disclosed by a comparison of the results of the count with registrant's records.

12/ Continental Bond & Share Corporation, Securities Exchange Act Release No. 7135 (1963); R.L. Emacio & Co., Inc., 35 S.E.C. 191, 202 (1953).

period from January 2, 1973 to February 26, 1973, failed to make and keep current books and records as required by Rule 17a-3.

On the basis of the foregoing, it is concluded that registrant during the period from on or about January 2, 1973 to February 26, 1973 wilfully violated Sections 15(c) and 17(a) of the Exchange Act and Rules 15c2-4, 15c3-1, 15c3-3, 17a-3, 17a-11, 17a-13 thereunder. Inasmuch as respondent was president and chief operating officer in control of registrant during that period, active in the direction of its financial affairs and aware and approving or having constructive knowledge of the actions constituting the violations, it is concluded that respondent wilfully aided and abetted registrant in those violations of Sections 15(c) and 17(a) of the Exchange Act and Rules 15c2-4, 15c3-1, 15c3-3, 17a-3, 17a-11, and 17a-13 thereunder.

Respondent agrees that registrant committed those violations, but contends that he should be held responsible for no more than failure to supervise to prevent them from happening. He claims that he was obligated to rely upon the experience, judgment, and opinion of registrant's controller who had held that position for 18 months and who proved to be neither trustworthy, reliable, nor competent, and upon the advice of registrant's counsel. Unfortunately, for respondent, the record does not entirely bear out those assertions and to the extent that it does, does not afford respondent a defense for his misconduct.

What the record does establish is that the controller attempted to no avail to convince respondent that in computing registrant's net capital under Rule 15c3-1, the unsecured customer debits should be deducted and that with that deduction registrant was out of compliance with the Net Capital Rule. It further appears that respondent directed the controller

not to make the deductions. While respondent states that he relied upon counsel's advice in deciding not to have the controller deduct the unsecured customer debits, counsel testified that he was not familiar enough with the Net Capital Rule to have been able to advise respondent on the proper treatment of those items in a net capital computation. Further, respondent's own testimony on the subject went no further than to indicate that if his memory served him, counsel did not go beyond saying that the unsecured customer debits were debatable. Since the principal reason for respondent's conferring with counsel on the matter appears to have been to enlist counsel's aid in collecting the customer arrearages, it is reasonable to infer, in view of counsel's professed inability to venture an opinion on the treatment of the unsecured customer debits in a net capital computation, that counsel's advice was directed at the probability of obtaining payment of the moneys owing registrant. Assuming, however, that respondent did believe counsel was referring to the items as debatable in context with an interpretation of the Net Capital Rule, there was still no justification for his accepting the equivocation of counsel as a basis for overruling the positive advice of registrant's controller upon whose "experience, judgment and opinion" respondent now says he was then "obligated to rely." [13/] Moreover, respondent's dependence upon others for advice cannot excuse his failure to properly discharge the responsibilities he accepted upon becoming registrant's president and treasurer on January 2, 1973. [14/]

13/ Brief of Respondent, August 4, 1975, at 6.

14/ J. Vander Moere & Co., 42 S.E.C. 228 (1964); John T. Pollard & Co., Inc., 38 S.E.C. 594 (1958).

On the question of registrant's failure to open and make deposits in a special reserve account as required by Rule 15c3-3, respondent again attempts to place the onus upon registrant's controller, asserting that the controller "admitted that he was responsible for the failure to make such a reserve computation." [15/] Not only can respondent not be heard to excuse his own failures by reliance upon others, [16/] but in this instance the record directly belies respondent's version of the facts. Testimony of the controller on recross-examination relating to Rule 15c3-3 was:

> Q. Was it your responsibility then to make up these reserves, to make up the computation of reserve requirements?
>
> A. Yes, as I recall, I made them up.
>
> Q. You made them up, and did you make the necessary deposits?
>
> A. Did we make the necessary deposits?
>
> Q. Yes, did you?
>
> A. I don't recall. [17/]

and on redirect examination by the Division, the controller testified:

> Q. Was it your responsibility to make the deposits if they were required pursuant to the reserve computation? Would it have been your responsibility if somebody else had done that? Would you actually have issued the check for it if one was required?
>
> A. Would I actually issue the check myself?
>
> Q. Correct.

15/ Brief of Respondent, at 7.

16/ J. Vander Moere & Co., supra.

17/ Tr. 49.

A. No.

Q. Whose responsibility would that have been?

A. That would have been the responsibility of the treasurer.

Q. And who was the treasurer at the point in time that you were computing the reserve computations?

A. As I recall, it was Mr. Kvalsten. 18/

Having found that respondent was in control of the affairs of registrant, responsible for registrant's compliance with the regulations controlling the conduct of a securities business, and director of the course of conduct which caused registrant to run afoul of the regulatory provisions of the Exchange Act and rules here in question, it is concluded that respondent participated in those violations as a wilful aider and abettor. Under the circumstances, respondent's proposal that he be found to have failed to supervise with a view to preventing those violations is rejected as inappropriate. 19/

Rule 15b3-1

Rule 15b3-1 requires a registered broker-dealer to "promptly file an amendment on Form BD correcting" information in its application for registration as a broker-dealer or in any amendment thereto when any of the information set forth in its application or previous amendments thereto becomes inaccurate. The record establishes that at various times prior to January 2, 1973, changes occurred in the identity of the officers and directors of registrant, and that registrant before and after

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18/ Tr. 51.

19/ Cf. Charles E. Marland & Co., supra.

that date failed to disclose those changes by filing amendments to its application for registration in conformity with Rule 15b3-1.

In his testimony, respondent admitted his failure to file the required amendments and testified, "To be honest with you, I didn't really know there was a regulation [Rule 15b3-1] requiring that, so if I didn't know anything about it, how could I file." [20/] However, after having accepted the stewardship of registrant, respondent cannot escape the responsibilities imposed upon him by pleading ignorance. [21/]

Since it was respondent's duty to make certain that registrant filed the proper amendments to its application for registration, it is concluded that respondent wilfully aided and abetted registrant's violation of Section 15(b) of the Exchange Act and Rule 15b3-1 thereunder, and that a finding of failure to supervise with a view to having prevented that violation would therefore not be appropriate.

Regulation T

In the course of the inspection of registrant the CRO examiner prepared a schedule indicating 10 instances in the period of January and February, 1973 in which registrant had failed to promptly cancel or liquidate transactions in the special cash accounts of 10 of its customers who did not make full payment within seven business days as required by Regulation T promulgated by the Board of Governors of the Federal Reserve System pursuant to Section 7 of the Exchange Act. These accounts in amounts ranging from $109 to $1,186 were delinquent in payment for periods

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20/ Tr. 122.

21/ Empire Securities Corporation, 40 S.E.C. 1104 (1962).

of 4 to 40 days. Respondent admitted that registrant had committed violations of Regulation T and claimed that he introduced a program intended to take care of the situtation but offered no explanation, despite his personal review of delinquent customers accounts, to account for the Regulation T violations shown on the CRO schedule or why those violations were permitted to continue for extended time periods.

In view of respondent's personal involvement with registrant's Regulation T violations, as well as because of his responsibilities as president, treasurer, and compliance officer, it is concluded that rather than a failure to supervise, respondent must be found to have wilfully aided and abetted registrant's violations of Section 7 of the Exchange Act and Regulation T thereunder.

PUBLIC INTEREST

In view of the numerous and extensive violations of registrant which were wilfully aided and abetted by respondent,and of respondent's fraud violations, remedial action is clearly required in the public interest pursuant to the provisions of Section 15(b) of the Exchange Act and Section 10(b) of SIPA.

The Division urges that respondent be barred from association "with any registered broker-dealer, investment adviser or investment company,"[22/] but would also allow respondent to become associated with a broker-dealer,

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22/ Brief of Division, June 23, 1975, at 40.

investment adviser, or investment company in a supervised capacity after 18 months upon an appropriate showing to the Commission. On the other hand, respondent argues that it is not in the public interest to bar or suspend him from activities in the securities business because of an absence of fraud or profit-taking on his part. He points out that he inherited a corporation in financial distress and was caught up in events that he was unable to control and that it should not be surprising that as a newly-appointed officer he did not "immediately close the doors to the business but attempted to salvage its operation." 23/

Upon careful consideration of the record and of the arguments and contentions submitted by the parties, it is concluded that in the public interest respondent should be barred from association with any broker-dealer. 24/ It appears appropriate, however, to give consideration to allowing respondent to again associate with a broker-dealer in a non-principal and supervised capacity after a period of six (6) months. As found herein, respondent participated in the fraud committed upon the purchasers of Imperial Engineering during the course of registrant's underwriting. If he had given his attention to the interests of those investors, they might well have received a return of their money from escrow deposits

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23/ Brief of Respondent, at 8.

24/ Since these proceedings were not instituted pursuant to the Investment Advisers Act of 1940 nor the Investment Company Act of 1940, remedial action pursuant to the provisions of either of those Acts would not be appropriate, nor would it be appropriate to order remedial action not authorized by the Exchange Act or SIPA pursuant to which these proceedings were instituted. Accordingly, the Division's proposal that respondent be barred from association with an investment adviser or investment company is disregarded.

respondent could have caused to be made or out of the $60,000 of additional moneys provided to registrant through a subordinated loan on December 30, 1972. By suggesting, as he does, that it should not be surprising that he did not immediately close registrant's doors, respondent evidences that he did not and still does not recognize the need for a broker-dealer's preferring the interests of the investing public and his customers over selfish interests when those interests come into conflict and the claim of the former has priority.[25/]

Accordingly, IT IS ORDERED that John O. Kvalsten is barred from association with any broker or dealer, except that after six (6) months from the effective date of this order he may apply to the Commission for permission to become associated with a broker-dealer in a nonproprietary and nonsupervisory position wherein his activities would receive adequate supervision.

This order shall become effective in accordance with and subject to the provisions of Rule 17(f) of the Rules of Practice.

Pursuant to Rule 17(f) of the Rules of Practice, this initial decision shall become the final decision of the Commission as to each party who has not , within fifteen days after service of this initial decision upon him, filed a petition for review of this initial decision

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25/ All proposed findings and conclusions submitted by the parties have been considered, as have their contentions. To the extent such proposals and contentions are consistent with this initial decision, they are accepted.

pursuant to Rule 17(b), unless the Commission, pursuant to Rule 17(c), determines on its own initiative to review this initial decision as to him. If a party timely files a petition for review, or the Commission takes action to review as to a party, the initial decision shall not become final with respect to that party.

Warren E. Blair
Chief Administrative Law Judge

Washington, D.C.
October 14, 1975