ADMINISTRATIVE PROCEEDING
FILE NO. 3-4388

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

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SECURITIES & EXCHANGE COMMISSION

In the Matter of

RICHARD R. CARTA

(SMITH & MEDFORD, INC., 8-15976)

INITIAL DECISION

Ralph Hunter Tracy
Administrative Law Judge

November 15, 1974
Washington, D.C.

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APPEARANCES: J. Carlton Ivey, Attorney of the Atlanta Regional Office for the Division of Enforcement.

C. B. Rogers, Edward J. Hardin and Jeffrey M. Smith, Atlanta, Georgia, attorneys for respondent Richard R. Carta.

BEFORE: Ralph Hunter Tracy, Administrative Law Judge

This is a public proceeding instituted by Commission order (Order) of November 1, 1973, pursuant to Sections 15(b) and 15A of the Securities Exchange Act of 1934 (Exchange Act), Section 10(b) of the Securities Investor Protection Act of 1970 (SIPC) and Section 203 of the Investment Advisors Act of 1940 (Investment Act), to determine whether 6 named respondents committed certain charged violations of the Securities Act of 1933 (Securities Act), the Exchange Act and regulations thereunder, SIPC and the Investment Act, as alleged by the Division of Enforcement (Division) and the remedial action, if any, that might be appropriate in the public interest.

The Commission has accepted offers of settlement from 5 of the respondents so that this proceeding has been determined as to them.[1/] Accordingly, the findings herein are applicable only to the remaining respondent Richard R. Carta (Carta).

With respect to Carta the Order alleges, in substance, that from on or about November 1, 1971 to on or about October 1, 1972, he willfully violated Sections 5(a) and (c) of the Securities Act by selling limited partnership interests (so-called "capital units") in oil and gas drilling programs issued by Cook & Son Oil Company, Inc. (Cook & Son) when no registration statement was in effect; and that during the same period he willfully violated Section 17(a) of the Securities Act, and Section 10(b) of the Exchange Act and Rule 10b-5

1/ The offers of settlement were accepted by the Commission in Securities Exchange Act Releases as follows: J. Carlton Rankin and William J. Flammer, 10628, February 5, 1974; Smith and Medford, Inc., David A. Medford and Charles H. Smith, 10948, August 6, 1974.

thereunder by offering and selling these interests by means of untrue statements of material facts and omissions to state material facts in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

Respondent Carta was represented by counsel throughout the proceeding and proposed findings of fact and conclusions of law and supporting briefs were filed 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.

Carta is a graduate of Florida State University, where he majored in political science and minored in finance and English. He attended the New York Institute of Finance for six months under a program sponsored by Francis I. duPont & Co., and completed the NASD requirements to become a registered representative. He was employed by duPont as an account executive in its West Palm Beach, Florida, office for about three years, from 1967 through 1969. Charles Smith and David Medford, who had also been with duPont, organized Smith & Medford as a Florida corporation in May 1970 to engage in the securities and insurance business. Shortly thereafter they moved the business to Atlanta, Georgia, where Carta joined them in 1971 as a salesman, remaining until late June 1972.

Section 5 of the Securities Act

The order alleges that during the period from on or about November 1, 1971 to on or about October 1, 1972, all of the respondents, including Carta, willfully violated Sections 5(a) and (c) of the Securities Act in that they offered to sell, sold and delivered after

sale certain securities, namely "capital units" in oil and gas drilling programs in the nature of limited partnership agreements issued by Cook and Son when no registration statement was on file or in effect as to said securities pursuant to the Securities Act.

Carta does not dispute the fact that the securities he sold were not registered. In making such unregistered sales he relied on representations by David Medford, president of Smith & Medford, that he had received a legal opinion from a reputable law firm that the securities were exempt from registration.

The record discloses that about July 1971, counsel for Cook & Son and Smith & Medford began putting together an offering of capital units in the form of limited partnership interests to be known as Cook 71-1, Limited.[2] The general partner was organized by Cook & Son and known as Texview Oil Co., Inc. On August 6, 1971, counsel for Smith & Medford sent a letter to all parties enclosing a draft copy of the Limited Partnership Agreement for Cook 71-1, Limited; Signature Page and Subscription for the purchase of a limited partnership agreement; and an Investment Representation to be executed by the prospective limited partners. The letter stated:

> I envision that when a prospective investor gives Dave Medford his money, he will be asked to sign a signature page and subscription and an investment representation. The signature page and subscription would then be subject to acceptance by the general partner. As soon as all of the investors have signed these two documents, we will have then (sic) sign a "J" exemption form for the State of Georgia and will have the general partner, on behalf of the partnership, sign a similar exemption form. However, the signing of these forms is not necessary to bind the limited partners and get them on board in the first instance.

2/ Subsequently, offerings known as Cook 71-3, 72-1 and 72-4 were issued and apparently became intertwined with 71-1 and each other.

Cook & Son was a Texas corporation located at Longview, Texas, the oil wells in which the interests were to be sold were in Pennsylvania and Kentucky, and the mailing address of the partnership was to be Smith & Medford at its Atlanta office. According to Carta sales were to be made to Georgia residents only and, only 15 units could be sold in 71-1 Limited. Also, each purchaser was required to sign a representation that he was taking for investment and not for distribution.

Although Carta claimed to be relying on a exemption from registration for the securities he was selling he was unclear as to the nature of such exemption.[2a/] He testified that he was instructed to make sales to Georgia residents only while at the same time he was to obtain investment representations. The Investment Representation had been prepared by the law firm and stated that the purchaser had been advised that the units had not been registered under the Securities Act of 1933 on the ground that the sale thereof was exempt under Section 4(2) of the Act,[3/] as not involving any public offering.

In addition to the Investment Representation Carta obtained an affidavit from each purchaser that he or she was a resident of the state of Georgia. This was in compliance with Section 6(J) of the Georgia Securities Act which requires unregistered offerings to be limited to 25 persons and restricted to Georgia residents.

2a/ See Transcript pp. 12-22.

3/ Section 4(2) provides that the provisions of Section 5 shall not apply to transactions by an issuer not involving any public offering.

Carta testified that there was a meeting of the salesmen at Smith & Medford at which Dave Medford told them that the Cook & Son offering was exempt from SEC registration; that it was a 6J exemption, 25 could be sold; "we have to have full disclosure; we have to have the limited partnership agreement, which Alston, Gaines & Miller has produced; we have to have the letters of representation." Also, the type of people to which this was to be offered were those who had a knowledge of investing per se, who had invested in the stock market but not necessarily in the oil business. This offering was to be sold basically as a tax shelter to get tangible write-offs.

Carta sold the Cook & Son units to 7 investors for a total of about $40,000 for which he received a 5% commission or $2,000. He, also, invested $4,000 of his own money in the offering.

Of the seven investors who purchased capital units from Carta two were called as Division witnesses and one as Carta's witness. The one called by Carta testified that after Carta made the sales presentation concerning the capital units he brought in three of his friends because he thought it was a good investment. All of the investors who testified supported Carta's testimony in general that he had informed them that the securities were unregistered, that they were exempt from registration, that they were being sold only to residents of Georgia and that they were highly speculative. They also testified that their financial situation was such that they were interested in a tax shelter and could afford to take a chance on this type of investment. However, while they all testified favorably

concerning Carta and their dealings with him they were unanimous in stating that they had relied mainly on the information supplied by him as their broker. None of the investors were involved with Cook & Son in any way and their only source of information was Carta who testified that he, in turn found that it was extremely difficult to get anything out of Joe Cook, the president of Cook & Son, the issuer.

The evidence clearly supports the conclusion that the exemption of Section 4(2) of the Securities Act was not available for the capital units and Carta does not claim that it was. His contention is that the duty of an ordinary salesman, who is employed by a broker-dealer which is selling unregistered securities based on the availability of a Section 4 exemption, is to make a reasonable inquiry regarding the availability of the exemption. In this respect respondent cites the Division's position as stated at the hearing:

> "We take the position that the salesman who had taken the NASD examination had the responsibility on his own to make inquiry as to how far he should go. It might be a question, but did he make reasonable inquiry."

In support of his argument that he made reasonable inquiry Carta states that when Smith & Medford began preparations for the sale of the capital units he personally asked Medford about the availability of an exemption and was informed that the law firm of Alston, Miller & Gaines was handling the legal aspects of the offering. Also, Medford, who was compliance officer for Smith & Medford, explained at various times that the capital units were exempt from registration with the

SEC and, in addition, the Investment Representation which all purchasers had to sign, and which was supposedly prepared by Alston, Miller & Gaines*, recited that the capital units were exempt under Section 4(2) of the Securities Act. Carta testified, further, that although he repeatedly expressed his concern to Medford about the securities being unregistered he was told, in effect, that compliance was none of his business, that his job was to sell the securities and that if he was not satisfied with that arrangement then he should have his own brokerage firm. Carta stated that Medford kept everything locked up and it was impossible to get any information except what was told him. This inability to learn what was going on eventually led to Carta's resigning from Smith & Medford in late June 1972.

Carta's brief sets forth a detailed examination of the overall situation in which Medford explained that the capital units were exempt and concludes by asserting that the Division has failed to produce enough evidence to carry almost any known burden of proof and that it has failed to prove by a preponderance of the evidence that Carta violated any securities law.

Insofar as a Section 5 violation is concerned this conclusion is not supported by the evidence. It is undisputed that no registration statement was ever filed or in effect with respect to any of the capital units offered and sold by Cook & Son, Smith & Medford, and Carta. Nor is there any dispute that instruments of interstate commerce and the mails were employed in connection with these transactions. Thus, the Commission's uncontroverted evidence of the offer and sale of unregistered securities by respondent Carta clearly established a prima facie case of

*Robert W. Miller of Alston, Miller & Gaines testified that "our firm did not issue any opinion with respect to the availability of the 4(2) exemption in this transaction."

a Section 5 violation. Hill York Corp. v. American International Franchises, Inc., 448 F. 2d 680, 686 (CA 5, 1971).

The burden of proving the availability of an exemption from registration is upon the one who claims it.[4/] However, Carta has not assumed this burden. Rather, his sole defense is that he made reasonable inquiry concerning the availability of the exemption and, therefore, cannot be charged with having violated Section 5 of the Securities Act. The reasonable inquiry upon which he relies was made of his employer, Medford, who assured him that the sales of the unregistered capital units were exempt from registration under Section 4(2) of the Securities Act.

In Stead v. S.E.C., 444 F. 2d 713 (CA 10, 1971), where the respondent relied on his having been told by the transfer agent that the stock was exempt from registration the court said, at 716:

> As to the violation of registration provisions Stead urges that he did make reasonable inquiry into the nature of the . . . account and the status of the . . . stock and that he reasonably believed the transactions involving . . . stock were exempt from the registration requirements of the Securities Act of 1933. * * * The act of Stead in calling the transfer agent is obviously not a sufficient inquiry.

Here, too, Carta's simply asking his employer as to the exemption of the capital units cannot be considered as a sufficient inquiry. In addition, a registered representative cannot escape responsibility by remaining uninformed or failing to investigate.

4/ 1 Loss 712; SEC v. Ralston Purina Co., 346 U.S. 119, 126 (1953).

As the court said in Quinn and Company, Inc. v. S.E.C., 444 F. 2d 713, 716 (CA 10, 1971):

> Petitioners, as professionals in the securities business and as persons dealing closely with the investing public, are expected to secure compliance with the requirements of the Act to protect the public from illegal offerings . . . Brokers and securities salesmen are under a duty to investigate, and a violation of that duty brings them within the term "willful" of the Securities Act.

It is found that Carta willfully[5/] violated Sections 5(a) and 5(c) of the Securities Act, as alleged in the Order.

Anti-Fraud Provisions

The Order charges that from on or about November 1, 1972, until on or about October 1, 1972, all of the respondents, including Carta, willfully violated Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.[6/] The Order

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5/ It is well established that a finding of willfullness does not require an intent to violate the law; it is sufficient that the person charged with the duty knows what he is doing. Billings Associates, Inc., 43 S.E.C. 641, 649 (1967); Biesel, Way & Company, 40 S.E.C. 532 (1961); Hughes v. S.E.C. 174 F. 2d 969, 977 (CA DC 1949).

6/ Section 10(b) as here pertinent makes it unlawful for any person to use or employ in connection with the purchase or sale of a security any manipulative device or contrivance in contravention of rules and regulations of the Commission prescribed thereunder. Rule 10b-5 defines manipulative or deceptive devices by making it unlawful for any person in such connection: "(1) to employ any device, scheme, or artifice to defraud, (2) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, or (3) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person . . ." Section 17(a) contains analogous antifraud provisions.

alleges that Carta offered, sold and effected transactions in the "capital units" of Cook and Son by means of untrue statements of material facts and omissions to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading concerning among other things:

1. The high risk and speculative nature of oil and gas drilling ventures;

2. The absence of cash or property contributions to the partnerships by Cook and Son;

3. The right of Cook and Son to distribute partnership income at its sole discretion;

4. The right of Cook and Son to pledge partnership income;

5. The right of Cook and Son to sell and assign partnership properties;

6. The rate of interest Cook and Son could charge to the partnership on loans;

7. How the distribution of partnership properties would be made in the event of dissolution;

8. The absence of limited partners rights in the treatment of drilling and development costs; and

9. The amount of commission Registrant and its salesmen would receive in selling the capital units.

Carta testified that of the 9 specifications contained in the Order he informed every purchaser concerning the first 1 and that the other 8 are all contained in the Limited Partnership Agreement (Agreement) and that he showed this Agreement to every purchaser and supplied them with a copy.

The three purchasers who testified in the proceeding all agreed that they were apprised as to specification one that there was a substantial risk involved but as to the other items they expressed considerable confusion. The record contains three copies of Agreements all different in certain respects. Division Exhibits 1 and 6 are the Agreements for Cook 71-1 and Cook 72-4, respectively, and Respondent's Exhibit A is the Agreement for Cook 72-1. As to specification 9 concerning the amount of commissions to be paid the only statement in each of the 3 Agreements is that Smith & Medford shall be paid out of the purchase price such cash compensation for its services in connection with the sale of Capital Units as the General Partner shall deem appropriate.

Division witness Joseph S. Bond (Bond) testified that he purchased 2 capital units in a limited partnership known as Cook 71-1 from Carta on December 1, 1971 for $10,000 and that this limited partnership related to a 10-well oil and gas program in Pennsylvania. This was Bond's first investment in an oil and gas program and he was not familiar with the oil and gas business. Carta solicited his investment and had him execute an Investment Representation and Purchaser's Affidavit, both dated December 1, 1971. However, Bond testified that while he had paid by check on December 1, 1971, he did not receive any documents until December 26 or 27th. Carta explained both documents but Bond got the feeling that he (Carta) "was not as aware of the necessity of these documents as his company was, and that he was asking me to sign them because his company said to sign them." Bond then went on to say

that "I could be totally wrong on that because he did explain that they must be signed, and he explained at the time what they were."

Bond testified that Carta indicated that an optimistic projection would be that he would have his $10,000 back in 10 months based on the 10-well program producing $1,400 a month times the 10 wells which would be $14,000 total from the field, and there would be 16 participants. The lifetime of the field should be 20 to 25 years and payback of the initial investment would be 8 to 10 months at the most optimistic estimate. This high initial rate of payback should continue for about 18 to 24 months and decrease approximately 30 percent for the next 20 years with a total payback over the 20 year period which could approach $200,000. A 22 1/2% depletion allowance was also mentioned. The only return Bond received on his $10,000 investment was 2 checks from Joe Cook & Son Oil Co. totaling $418.17.

Division witness Robert J. Hasser (Hasser) testified that he had been dealing with Carta as his broker, buying new issues and speculative stocks when Carta brought up Cook & Son and showed him some engineering or geological reports. Hasser was not familiar with the oil business and this was his first venture into it. Before he invested Hasser read a limited partnership agreement which he recalled as Cook 72 or 73 known as the Baker well in Kentucky. He made a purchase of $2,500 on or about June 25, 1972, and received a letter, dated August 2, 1972, from an attorney for Cook & Son, which accompanied a limited partnership agreement for Cook-74 and stating that "you will note that the name of the partnership is numbered differently than what you invested in."

The letter enclosed: (1) Copy of Limited Partnership Agreement; (2) Certificate of Limited Partnership; (3) Investment Representation; (4) Signature Page and Subscription; (5) Purchaser's Affidavit with instructions to execute Items 2, 3, 4, and 5 and, where required, sign before a notary public. Hasser was to get back a signed copy of Item 2 and 4 but testified that he really didn't know what he got back as "It was very difficult getting any communication out of Cook & Son or ... their attorney."

Hasser testified that he checked with Carta as to just which partnership he had invested in but that he was still confused by the numbering system. He, also talked with Carta about the risk involved, about the possible returns; he was shown maps and geological reports but they really didn't mean anything to him because he is not an engineer. "And this I left up to Mr. Carta as my broker to check into."

Respondent's witness, Barry T. Johnson (Johnson) testified that he met Carta at a social function and later visited his office to ask his advice on certain stocks. Carta told him about the capital units and Johnson, in turn brought in 3 of his friends who also invested. Each of the 4 purchased one or more units in various programs. Johnson stated that he was in 71-1, the 10 well program in Pennsylvania, and the Baker County, Kentucky, program. He said "It was kind of dispersed." Johnson testified that while he received a copy of the Agreement some of his investor friends did not. Johnson relied mainly on information supplied by Carta and some by Cook. Johnson acted as a go-between for his friends but had nothing to do with the actual selling and did not

receive any commission. They all met in Carta's office and Carta presented the program to them. Johnson testified that in his opinion Carta had been forthright and honest with him in every respect.

Carta's principal argument is that his customers were aware of the risks involved in this type of investment, that each was shown a copy of the Agreement concerning this investment and thus had an opportunity to and in fact did read and discuss them with Carta before investing.

The record shows that although Carta may have discussed the capital units with investors they were not supplied with the Agreement until after they had made their purchases. Moreover, the Agreement was a 40 page legal document, and the disclosures claimed by respondent were not so clear as to be plainly evident to the ordinary investor.[7/]

Also, there is no reasonable basis in the record for the representation made by Carta to Bond that he should get his original investment back in 8 to 10 months and that over a 20 year period he could receive a payback of $200,000. As the Commission stated in Idaho Acceptance Corp., et al. 42 S.E.C. 187, 193 (1964):[8/]

> We have long held that a fundamental aspect of the relationship between a broker or dealer and his customer is the representation that the latter will be dealt with fairly in accordance with the standards of the profession. The obligation to deal fairly applies equally to broker-dealers and to their salesmen, who form the vital link between the broker-dealer and the public. Salesmen must have a reasonable basis for representations made by them to customers.

7/ Cf. Woodland Oil & Gas, 38 S.E.C. 485, 493, (1958); Universal Camera Corp., 19 S.E.C. 684, 654 (1945); Kiwago Gold Mines, Ltd. 27 S.E.C. 934, 939 (1948); In the Matter of National Educators Association, Inc., 1 S.E.C. 208, 215 (1935).

8/ See, also Duker v. Duker, 6 S.E.C. 386, 388 (1939); A.J. Caradean & Co., Inc., 41 S.E.C. 234, 235 (1962); Securities Exchange Release No. 6721, (202-62).

Furthermore, two one-page financial statements of Cook and Son Oil Company were introduced into evidence by respondent. One dated July 7, 1971, signed by Joe W. Cook, shows a net worth of $654,273.53 and the other, dated July 13, 1971, signed by Bratcher Bookkeeping Service, Longview, Texas, shows a net worth of $648,033.04. These are merely self-serving statements which are not certified and have no explanatory notes or supporting documentation. Another document put in evidence by respondent, is a Natural Gas Projection Report concerning the Pennsylvania properties, prepared by a geologist and containing a 3 page Introduction to Cook & Son for New Investors which begins:

> This is an introduction to a revolutionary idea instigated by Cook & Son in our drilling program in Pennsylvania. The ideas used in this program are partially due to an effort toward self-policing in the oil and gas industry, as discussed at length in the October 26, 1970, issue of THE OIL AND GAS JOURNAL.
>
> This new policy is aimed at warding off more stringent federel (sic) regulations, protection of investors, and improving public confidence in drilling and production programs.

There is no indication in the record that Carta ever made any investigation concerning the financial statements, the geological report, or other material used in selling the capital units. Nor was he alerted to further inquiry by Cook's announced intention of avoiding the federal securities regulations. In Hanley v. S.E.C., 415 F. 2d 589 (1969) the court said, at 597:

> In summary, the standards by which the actions of each petitioner must be judged are strict. He cannot recommend a security unless there is

> an adequate and reasonable basis for such recommendation. He must disclose facts which he knows and those which are reasonably ascertainable. By his recommendation he implies that a reasonable investigation has been made and that his recommendation rests on the conclusions based on such investigation. Where the salesman lacks essential information about a security, he should disclose this as well as the risks which arise from his lack of information (Citing SEA Rel. No. 6721, 2-2-62).

On the basis of the record herein it is found that respondent Carta willfully violated Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

Public Interest

The remaining issue concerns the remedial action which is appropriate in the public interest with respect to respondent. The Division, asserting that Carta abrogated his duty to investigate, in spite of the fact that he invested in one of the programs himself; that he was in no position to make a full disclosure of the business in which he was asking his customers to invest, and clearly did not; that he received incomplete and unreliable information which he "discussed" with his customers but did not timely furnish in writing; urges that protection of the public interest from further abuse by one who holds himself out as a professional in the securities business requires that Carta be suspended from association with a registered broker-dealer for at least six months, with the right to apply for permission to re-enter the business at the expiration of such period in a non-supervisory capacity. Respondent, on the other hand,

points to his previous blameless record and the fact that he left Smith & Medford in June 1972, 3 months before the end of the period stated in the Order, and urges that in the event any sanction is imposed on him it should be comparable to those which have been imposed on other respondents in this proceeding.

The appropriate remedial action as to a particular respondent depends on the facts and circumstances applicable to him and cannot be measured precisely on the basis of action taken against other respondents,[9] particularly where, as here, the action respecting others is based on offers of settlement which the Commission deemed appropriate to accept.[10]

Review of the record in this case brings clearly into focus a situation where a registered representative failed to understand and discharge his professional responsibilities with the result that securities laws and regulations were willfully violated and investors deprived of their protection. The argument that reasonable inquiry should excuse a salesman from violations of the securities laws has been previously considered by the Commission:

> Whatever may be a salesman's obligation of inquiry, or his right to rely on information provided by his employer, where securities of an established issuer are being recommended to customers by a broker-dealer who is not engaged in misleading and deceptive high pressure selling practices, that situation is not present here. * * * In our view, a black letter rule

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9/ See Dlugash v. S.E.C., 373 F. 2d 107,110 (C.A. 2, 1967).

10/ See Benjamin Werner, Securities Exchange Act Release No. 9422, pp. 3-4 (December 17, 1971; Cortlandt Investing Corporation, Securities Exchange Act Release No. 8678, pp. 8-9 (August 29, 1969).

> providing exculpation of a salesman . . . because of reliance on his employer, would place a premium on indifference to responsibilities at the point most directly and intimately affecting the investor.11/

As the court indicated the salesman's obligation of inquiry or right to rely on information provided by his employer must be considered in light of the particular circumstances. When the registered representative demonstrates such unfamiliarity with the securities laws that he fails to recognize a situation calling for extreme caution and vigilant investigation then his inquiring of his employer cannot be said to be reasonable. If Carta had known the standards for a private offering exemption he should have been alerted by the profusion of warning signs herein, such as the fact of the offering being made through a brokerage firm,12/ and extended his inquiry accordingly.

Upon consideration of the circumstances presented herein it is concluded the public interest requires that Carta be suspended from association with any broker-dealer for a period of six months.

ORDER

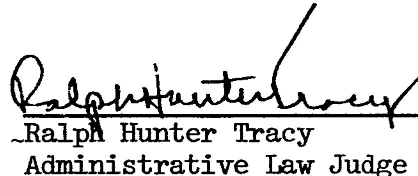
Accordingly, IT IS ORDERED that the respondent Richard R. Carta is suspended from association with any broker-dealer for a period of six months from the effective date of this order.

11/ MacRobbins & Co., Inc., 41 S.E.C. 116, 128-29 (1962). Affirmed sub nom. Berko v. S.E.C., 316 F. 2d 137 (C.A. 2 1963).

12/ Hill York Corp., v. American International Franchise, Inc., 448 F. 2d 680, 687-89 (C.A. 5, 1971).

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

Pursuant to Rule 17(f), 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 pursuant to Rule 17(f), 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. 13/



Ralph Hunter Tracy
Administrative Law Judge

November 15, 1974
Washington, D.C.

13/ To the extent that the proposed findings and conclusions submitted by the parties, and the arguments made by them, are in accordance with the views herein they are accepted, and to the extent they are inconsistent therewith they are rejected.