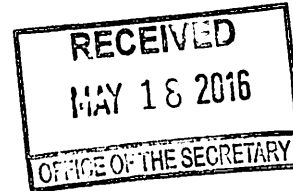


Brent J Fields  
Secretary  
U.S. Securities & Exchange Commission  
100 F Street, NE  
Mail Stop 1090  
Washington, DC 20549



In the Matter of : Russell C Schalk Jr  
Administrative Proceeding File No: 3-16498  
May 16, 2016

Dear Secretary Fields:

Pursuant to Rule 450 of the Securities and Exchange Commission Rules of Practice, I respectfully submit this brief in support of my March 8, 2016 petition for review of the February 10, 2016 Initial Decision of the ALJ.

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### Argument

- 1) Support and explanation of the ALJ erroneous finding regarding [REDACTED]. (Attachment "A")

- 2) Support and explanation of the exception to the ALJ erroneous finding regarding [REDACTED] Attachment "B", "C", and "D")
- 3) Support and explanation of the erroneous conclusion of the ALJ regarding future earnings and commissions.
- 4) Request for clarification of the OIP's ruling regarding the diversion of funds without authorization.

### Closing Statement and Conclusion

### ARGUMENT

The February 10, 2016 initial decision of the ALJ concluded payment of disgorgement and civil monetary penalties of \$20,000 per year. In that decision, the ALJ erroneously interpreted or misunderstood some of the evidence provided in my October 8, 2015 reply to the Commission's ruling, opposing my inability to pay monetary sanctions, dated September 11, 2015. These erroneous conclusions, in the areas addressed below, lead to several errors of fact in weighing the decision.

- 1) Attachment "A" is a copy of my current [REDACTED]. [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

2) Attachments "B" and "C" are annual account summaries for 2015 from my two [REDACTED] accounts. [REDACTED]

[REDACTED]

■ The ALJ correctly concluded that I should make [REDACTED] in commissions each year on average. However, the ALJ overlooked the fact that [REDACTED]

[REDACTED]

4) For the purpose of clarification only, as well as for my own edification, I respectfully ask for an explanation regarding the \$220,000 in funds the OIP recites that I diverted without authorization. I am not contesting the amount, and have agreed to accept the OIP's allegations as true. However, my question is from whom would I have needed to receive authorization in order to recover funds I initially lent the company? At the time, I was President of the company and my attorney, George Lawler, was my Secretary. We were the only two officers of the company, and it is unclear to me as to what would have been the proper procedure in this circumstance.

#### CLOSING STATEMENT AND CONCLUSION

I firmly believe that the clarification and evidence I have provided above, further underscores the importance of further review and reconsideration the February 10, 2016 Initial Decision of the ALJ. That decision concluded payment of disgorgement and civil monetary penalties of \$20,000 per year. [REDACTED]

[REDACTED]

[REDACTED] Based on the past history of the marketplace, I would hopefully anticipate an eventual turnaround in the business climate and, therefore, hope for increased earnings opportunities. Given the details above, I respectfully ask for reconsideration in this matter.

Sincerely,

*Russell C Schalk, Jr.*

Russell C Schalk Jr

Cc: James E Grimes, Administrative Law Judge

Cc: John J Bowers, Asst. Chief Litigation Counsel, Division of  
Enforcement

Cc: Eugene Bull, Asst. Chief Litigation Counsel, Division of Enforcement