

IN THE MATTER OF  
G. H. MUSEKAMP & CO.

*File No. 8-8635. Promulgated October 22, 1965*

Securities Exchange Act of 1934—Sections 15(b) and 15A

**BROKER-DEALER REGISTRATION**

**Grounds for Revocation**  
**Doing Business While Insolvent**  
**Improper Hypothecation**  
**Net Capital Violations**  
**Recordkeeping Violations**  
**Injunction**

Where registered broker-dealer engaged in business while insolvent and in noncompliance with net capital rule, violated hypothecation and recordkeeping rules, and was enjoined from violations of anti-fraud provisions of securities laws, *held*, in the public interest to revoke registration.

**APPEARANCES:**

*Thomas B. Hart*, of the Chicago Regional Office, and *John W. Vogel* and *Robert H. Jackson*, of the Cleveland Branch Office of the Commission, for the Division of Trading and Markets.

*Charles H. Tobias, Jr.*, of Steer, Strauss and Adair, for G. H. Musekamp & Co. and George H. Musekamp, III.

**FINDINGS, OPINION AND ORDER**

Following hearings in these proceedings pursuant to Sections 15(b) and 15A of the Securities Exchange Act of 1934 ("Exchange Act"), the hearing examiner recommended that the registration as a broker-dealer of G. H. Musekamp & Co. ("registrant") be revoked and that George H. Musekamp, III, registrant's president, treasurer and majority stockholder, be found a cause of any order of revocation. He further recommended that Musekamp be allowed to be employed in the securities business in a supervised capacity. No exceptions were filed. On the basis of our independent review of the record and for the reasons set forth in the recommended decision we adopt the following findings of the hearing examiner:

1. During the period March 1963 to January 1964, registrant, together with or aided and abetted by Musekamp, willfully violated Section 17(a) of the Securities Act of 1933 and Sections 10(b) and 15(c) of the Exchange Act and Rules 17 CFR 240.10b-5, 15c1-2 and 15c2-1 thereunder, in the following respects:

a. Registrant engaged in the securities business while insolvent. As of November 30, 1963, registrant's unsubordinated liabilities exceeded its assets by more than \$73,000.

b. Registrant permitted the commingling of customers' securities with its own securities as collateral for loans obtained by registrant, and failed to give the required written notice to the lender that such securities were carried for the accounts of customers and that the hypothecation did not contravene our hypothecation rule.

2. Registrant, aided and abetted by Musekamp, willfully violated the net capital provisions of Section 15(c) (3) of the Exchange Act and Rule 17 CFR 240.15c3-1 thereunder. As of November 30, 1963, registrant had a net capital deficit of \$169,934 and a net capital deficiency of \$184,897 as computed under that rule.<sup>1</sup> Prior thereto, registrant had been suspended from membership in the Midwest Stock Exchange in August 1962 and in November 1963 for violations of that Exchange's net capital requirements, and its membership in the Exchange was sold in January 1964. In addition, registrant's membership in the Cincinnati Stock Exchange had been suspended in October and then revoked in November 1963 for violations of that Exchange's net capital requirements.

3. During the period specified above, registrant, aided and abetted by Musekamp, also willfully violated the recordkeeping provisions of Section 17(a) of the Exchange Act and Rule 17 CFR 240.17a-3 thereunder. Registrant failed properly to maintain or post ledger accounts of customers and other broker-dealers, its securities position records were not posted accurately, and certain entries relating to subordinated loans were incorrect.

4. In March 1964, the United States District Court for the Southern District of Ohio, permanently enjoined registrant and Musekamp from violating anti-fraud provisions of the securities acts.<sup>2</sup> After the institution of the injunction action registrant decided to dissolve and a liquidator was appointed to wind up its affairs.

<sup>1</sup> Respondents admitted that registrant had a net capital deficiency to the extent of \$49,596 on that date.

<sup>2</sup> Civil Action File No. 5555. The injunction, entered with the consent of respondents, was based on a complaint filed by us and related to the activities involved in the instant proceedings.

5. It is in the public interest to revoke registrant's registration as a broker-dealer, and Musekamp is a cause of such revocation.<sup>3</sup> Under all the circumstances, including the facts that Musekamp had, as far as this record shows, 7 unblemished years as a securities salesman with an established firm and that he had advanced \$97,500 to registrant's liquidator to help satisfy registrant's obligations, it is not necessary to bar Musekamp from being employed as a securities salesman provided that a satisfactory showing is made that he will receive adequate supervision and will not be given discretionary authority over nor be permitted to handle or have access to customers' funds or securities.

Accordingly, IT IS ORDERED that the registration as a broker and dealer of G. H. Musekamp & Co., be, and it hereby is, revoked, and it is found that George H. Musekamp, III, is a cause of such revocation.

By the Commission (Chairman COHEN and Commissioners WOODSIDE, OWENS, BUDGE and WHEAT).

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<sup>3</sup> Subsequent to the institution of these proceedings the National Association of Securities Dealers, Inc. suspended and fined registrant for violations of certain of the association's rules, and thereafter terminated registrant's membership for failure to pay the fine. In the same proceedings the association also censured and fined Musekamp.