

## SECURITIES AND EXCHANGE COMMISSION

## NEWS DIGEST

A brief summary of financial proposals filed with and actions by the S.E.C.



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**VIOLATIONS CHARGED TO SANDKUHL & CO.** The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether Sandkuhl & Company, Inc., 1180 Raymond Blvd., Newark, N. J., violated certain provisions of that Act and, if so, whether its broker-dealer registration should be revoked.

The said company ("registrant") has been registered with the Commission as a broker-dealer since August 14, 1959. Henry Sandkuhl is president and owner of 10% or more of registrant's outstanding common stock. In its order, the Commission recites charges of its staff that information developed in an investigation tends to show that registrant, aided and abetted by Sandkuhl, Barbara Anne Kunz, secretary-treasurer, Marvita Sandkuhl, former vice president, and Florence Marcelin, former secretary-treasurer, have violated the Commission's net capital and record-keeping rules. According to the order, registrant, Sandkuhl, Marvita Sandkuhl and Marcelin were preliminarily enjoined in September 1962 by a Federal court in New Jersey from further violations of the net capital rule. A hearing will be held, at a time and place to be announced, for the purpose of taking evidence to determine whether the staff charges are true and, if so, whether registrant's broker-dealer registration should be revoked. Registrant is a member of the National Association of Securities Dealers, Inc.; and one of the issues in these proceedings is whether it also should be suspended or expelled from NASD membership.

**B.S.F. CO., VISUAL ART INDUSTRIES SEEK ORDER.** B.S.F. Company, Wilmington registered investment company, and Visual Art Industries, Inc., a Delaware company, have applied to the SEC for an order under the Investment Company Act authorizing the proposed purchase from BSF by Visual of all the capital stock of F. Weber Co. (wholly-owned by BSF) for a total of \$425,000; and the Commission has issued an order (Release IC-3624) scheduling a hearing in the matter for February 19, 1963 in its Washington Office. According to the application, BSF has determined to sell Weber as part of a program to reduce outstanding current indebtedness in accordance with oral understandings with its unsecured creditors. The proceeds of this sale of Weber stock is proposed to be applied to the reduction of the current BSF indebtedness to unsecured creditors.

**DATE FOR EX PARTE RULE COMMENTS EXTENDED.** The SEC today announced an extension (Release 33-4581) from January 31 to February 15 the due date for the submission of views and comments upon its proposed Statement of Policy prohibiting certain classes of ex parte communications between persons outside the Commission and SEC employees involved in the decisional process (as proposed in Release 33-4571).

**NASD ACTION AGAINST METROPOLITAN SECURITIES SUSTAINED.** The SEC today announced the issuance of a decision under the Securities Exchange Act (Release 34-7010) sustaining action by the National Association of Securities Dealers, Inc. against Metropolitan Securities, Inc., of Philadelphia, Pa., and Alfred M. Sharp, its president and sole stockholder, for failure to comply with the Commission's net capital rule. The NASD expelled the firm from membership, found Sharp a cause thereof, revoked his registration as a registered representative and assessed certain costs.

In March 1961 a NASD District Committee issued a complaint charging the firm and Sharp with violations of the Commission's net capital rule and in their answer they admitted net capital deficiencies as of January 31 and February 28, 1961, of \$14,000 and \$12,500, respectively. Because of certain mitigating circumstances, however, the NASD took no adverse action when the firm agreed to reduce the inventory position, even though it was recognized that the size of the inventory created a potential for further violations. However, later statements showed a sharp increase in the inventory position, resulting in the NASD action appealed from.

In appealing the NASD action, the respondents urged that the net capital deficiencies were principally due to increases in its inventory position in the stocks of two companies for which it had served as underwriter; that the member acted to "protect" public purchasers by making and supporting the market for such stock; that after July the member reduced its inventory and corrected the net capital deficiencies; and that no customer has suffered any damage in connection with any transaction effected by the firm.

In sustaining the NASD action, the Commission rejected the argument that as underwriter for the two issues it was necessary for the firm to accumulate the inventories in order to support the market "as a protection for investors who had purchased these securities during the original distribution. In any event, the testimony of Sharp indicates that the member's extensive purchases in June and July were made primarily because of a desire to protect the value of its inventories of these securities in the hope that their market prices would eventually rise. . . . While the net capital rule does not prohibit accumulation of inventories by broker-dealers, it does require that the margin of safety against insolvency provided by the rule for the benefit of all customers not be imperiled by speculation by the member. It is no defense that customers have not suffered actual loss. The exposure to the risk posed by violations of the rule is in itself the abuse at which the rule is aimed."

**SECURITIES ACT REGISTRATIONS.** Effective January 31: Olympia Record Industries, Inc. (File 2-20430).  
Withdrawn January 31: General Development Corp. (File 2-20550); Town and Country Associates (File 2-20850).