Dear Colleagues and Friends of Yesteryear:

As a stimulus to you in recalling anecdotes from the Special Study days, I set out below an account of one episode in the life of the Special Study that I have had occasion to think about recently.

Early in the business day on Wednesday, May 9, 1962, Milton Cohen, Director of the Special Study of Securities Markets of the SEC, received a visit from Thomas G. Corcoran, also known as “Tommy the Cork.” Corcoran was a former FDR brain truster, and, in 1962, perhaps the most powerful lobbyist in Washington.

May 9th was the first day of the Special Study public hearings, which had as their purpose focusing public attention on the Study’s ongoing work and that were to be followed (although they were not) by other hearings.

One of the matters to be taken up in the hearing that day was a case that I had originated and developed. It was also what brought Tommy the Cork to Milton’s office. Fred Moss and I, and, I believe, Mike Eisenberg, met with Milton just after we arrived at the office preparatory to going to the old Tariff Commission building, where the hearings were to be held. Milton told us of the visit from Corcoran that he had just received: Corcoran said he represented Ben Sonnenberg of Publicity Consultants, Inc. and requested that there be no mention of Sonnenberg’s name in the forthcoming hearings, which he knew involved matters in which Sonnenberg had figured. Milton told us not to elicit testimony that would result in the mentioning of Sonnenberg’s name.

At this time, Sonnenberg was one of the most powerful individuals in the public relations field. He had as his clients major corporations, such as Lipton Tea and Samuel Goldwyn, businessmen for whom he garnered publicity or, conversely, suppressed publicity. He had a
palatial five-story, 37-room house on Gramercy Park, often called “the finest private house in New York City,” which was filled with various art treasures and antiques for which he was later known to have continually added over the years. Sonnenberg was said to have described his role as to “brush the dandruff off the shoulders” of his clients. He also described himself as a “cabinetmaker who fashioned large pedestals for small statues.”

In our case, Sonnenberg was the central figure in a convoluted scheme to channel money from the sponsors of mutual fund contractual plans to the promotion of those plans through public relations activity. I came across this scheme when I went to New York to interview William Damroth, President of the Templeton Damroth Corporation and an officer of the Association of Mutual Fund Plan Sponsors. I paid a visit to Damroth in his office as part of my task to develop information for the project of which I was in charge, Qualifications of Persons in the Securities Industry. I arranged to meet Damroth in order to find out whether there were any self-regulatory arrangements by the Association under which participants in the contractual fund business were vetted to provide some kind of assurance of their qualifications to market these plans.

As it turned out, there was nothing that the Association did with respect to assuring the qualifications of its members. When I asked what the Association did do, Damroth blithely and proudly told me that he had worked out an arrangement with the New York Stock Exchange firm of A.G. Becker for members of the Association to channel brokerage commissions to that firm in return for payment by A.G. Becker of fees to Sonnenberg’s firm, Publicity Consultants, which would generate favorable publicity for contracted plans, which were then under some criticism as being unfair to investors.

After I got back to the office, I began gathering more information from other sources about the scheme, including what Publicity Consultants had provided in return for the monthly payments from A.G. Becker. It seemed that a principal result was an article that had recently appeared in *Esquire* magazine extolling the virtues of mutual fund contractual plans. I spoke to the author of the article, who was then on a movie set in Culver City, California, about how he had come to write the article. He said that he had been recruited and paid by Publicity
Consultants and not by *Esquire* – a unique experience for him, he said – and that he had been paid roughly four times what he would have received for a one-page article at *Esquire*’s regular rates. His editor at *Esquire*, he said, was Clay Felker, who went on to be the founding editor of *New York Magazine* in 1968.

I called Felker and asked him what compensation arrangements he had with Publicity Consultants. Felker refused to tell me. Significantly, he did not say that there was no such arrangement with him.

I telephoned Sonnenberg, who talked to me about the arrangements in general terms, but, as my questions became more pointed, he abruptly terminated the conversation because, he said, guests had just arrived at his home for Passover. In questioning one of Sonnenberg’s colleagues about the article, I learned an axiom about publicity that I remember well: It is not the publication of the article that you “plant,” he said; what is important is how you make use of reprints of the article. In this case, as Damroth testified at the hearing, reprints of the article were circulated to “opinion makers” and other important people, including legislators. According to Damroth, in his testimony, virtually no value was obtained by the contractual plan sponsors for the fees that A.G. Becker paid to Publicity Consultants.

I did not question anyone at A.G. Becker, but someone else in the Special Study evidently did and obtained a copy of a letter from a Becker partner to Sonnenberg stating that A.G. Becker “wished to increase its mutual fund business from its present modest size to one of considerably greater proportions” and that it did not regard “the usual type of sales promotion as ideally suited to accomplish this objective in as short as possible time.” To accomplish Becker’s objective, Publicity Consultants was to undertake to prepare a “subtle public relations program,” one that would “not contemplate our contracting for, hiring or paying for any advertising space, or any radio or TV time.” Based on the style of this prose, my strong hunch is that this document was prepared not by A.G. Becker but by Publicity Consultants – used, as it was, to preparing copy for others.
The Special Study discussed the arrangement in Chapter XI of its report – Open End Investment Companies (Mutual Funds) (at pages 221-22). It turned out that the New York Stock Exchange staff requested that the program be terminated. In 1962, it adopted an interpretation restricting “statistical and investment advisory services” that could be offered by members.

As for Milton’s order that we not mention Sonnenberg’s name, Fred Moss, who questioned Damroth, did not ask questions that were designed to elicit Sonnenberg’s name. But Damroth, on his own, readily brought up Sonnenberg’s name. To my knowledge, Milton never said anything about this disclosure.

Publicity did ensure, as can be seen from the Associated Press article that is attached and in the second attachment, which is a copy of a photography that appeared in May of 1962 in *U.S. News and World Report*. As you may recognize, it shows Milton Cohen as presiding officer and, on the left-hand side of the counsel table, Dick Paul, Fred Moss, me and Mike Eisenberg. The person testifying is Damroth, whose lawyer is seated on his right.

There can be seen waiting behind Damroth the next witness, John F. Dailey, Jr. of Albion Securities Co., Inc. (See Special Study Report, vol 1, pp 60-65), who had been brought in to explain the lack of training and screening of his salespersons. Among the reporters in the audience was John Jay Iselin (in the foreground of the photograph), then a financial industry reporter for *Newsweek* and who went on to become president of the Public Television channel (Channel 13) in New York and later to be President of Cooper Union.

Regarding Templeton Damroth, you may well have heard of John Templeton, who entered the mutual fund industry in 1954 when he established the Templeton Growth Fund. In 1956, he joined with William Damroth, who was then a “marketing consultant,” to launch the Nucleonics, Chemistry and Electronics Fun, a specialty fund that grew dramatically in the late 1950s.

Templeton sold his interest in Templeton Damroth in 1962 – whether before or after Damroth’s testimony at the hearings is not clear. Over the next three decades he created some of
the world’s largest and most successful international investment funds. Each $10,00 invested in the Templeton Growth Fund Class A in 1954, with dividends reinvested, would have grown to $2 million by 1992 when Sir John (as he came to be after giving up his U.S. citizenship and moving to the Bahamas) sold the Templeton Growth Fund.

It would be good to hear from others of you who may have memories to share.

Larry