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PERSONAL MEMORANDUM

TO: Members of the Commission

December 10, 1962

FROM: Peter A. Dammann  
General Counsel

RE: Science Investments, Inc.

Attached is a memorandum to Mr. Conwill and myself from Mr. Sydney H. Mendelsohn, Branch Chief in the Division of Corporate Regulation. The memorandum sets forth a rather transparent effort on the part of an employee of another agency to influence staff action in an Investment Company Act matter which has been pending in the Division of Corporate Regulation and the Office of General Counsel for some time. Months ago the Commission authorized that suit be filed on a gross abuse of trust theory. The complaint was prepared but has not, as of this date, been filed because of a long series of negotiations which led to our hope that the case could be settled without the expense of a receivership. Our Boston Office felt particularly strongly that the case should be settled.

As you can see from the attached memorandum settlement negotiations have bogged down, and it now seems highly probable that we will have to file suit.

Mr. Conwill and I agree that it will be exceedingly difficult to prove the conversations referred to in the attached memorandum between Mr. Mendelsohn and Mr. Fisher. We accordingly recommend that no action be taken but that the incident be remembered.

Attachment

cc: Mr. Conwill  
Mr. Mendelsohn

P. S. Mr. Conwill and I believe every word of Mr. Mendelsohn's memo. But we doubt if we or he can prove it.

MEMORANDUM

December 7, 1962

TO: Allan F. Conwill, Director  
Division of Corporate Regulation

Peter A. Dammann  
General Counsel

FROM: Sydney H. Mendelsohn, Branch Chief (Inspections) *S. H. M.*  
Division of Corporate Regulation

RE: Gerald S. Fisher, Chief  
Program Administration and Compliance Division  
Office of Investment  
Small Business Administration

Science Investments, Inc. (B-595)

Pursuant to your suggestion of December 4, 1962 that I set down in a memorandum the details of my conversations with Mr. Gerald S. Fisher, the following is submitted.

On or about November 15, 1962, at approximately 10:30 at night, I spoke to Mr. Fisher on the telephone. Previously that evening he had called my home in my absence and left a message that I call him. In compliance with this request, I did so.

Mr. Fisher, whom I knew during his tenure with this Commission, and I are on a first-name basis although we have never socialized. After some "small talk" about a request which I had had my secretary make of his office, he asked me whether I was happy in my job. When I indicated that I was, he wanted to know my grade and I told him I was a GS 14. He then asked me if I would like a GS 15 in the Small Business Administration. He said that he, along with his personnel office, was taking measures to remove a certain branch chief there for reasons of inefficiency, but because the individual was purportedly politically well connected, he might encounter some difficulty. Mr. Fisher went on to say that this position, while a GS 15 at this time, was undoubtedly going to be reclassified as a GS 16 because he, Mr. Fisher, a GS 16, was about to get a reclassification of his job to a GS 17. I indicated that I was interested in his proposition.

During the course of the conversation he asked me to meet him at the SBA for the purpose of discussing mutual problems concerning the Division of Corporate Regulation and the SBA.

On or about Tuesday, November 20, pursuant to an appointment, I met Mr. Fisher at his SBA office. There was some conversation at that

time with reference to the job for which he was considering me and he mentioned his former "boss", a Mr. Phil David Fine, former Deputy Administrator of the SBA. Mr. Fisher stated that Mr. Fine had done him quite a few favors and that, as a matter of fact, Mr. Fine was responsible for Mr. Fisher's present status.

Mr. Fisher and I continued our conference during lunch and afterwards in his office, during which time Mr. Fisher remarked that through Mr. Fine, Mr. Fisher was the contact between the SBA and the White House. Our talk also turned to problems with respect to forms of investigative orders and forms of complaints requesting receivers. He asked me for such things as blank copies of formal orders which I agreed to obtain for him.

Finally, in the course of our talk, he stated that he was from Worcester, Massachusetts, and that, as a matter of fact, Mr. Fine was also from that area and it just so happened that Mr. Fine was representing a client who was having some trouble with the Commission, namely, Murray Edinburg. Mr. Fisher said that, while he did not know Murray Edinburg, he knew his brother quite well, and questioned me as to the nature of the trouble. I said that since the matter did not appear to involve a small business investment company I would prefer not to discuss it. At any rate, the matter was in the hands of the General Counsel's office. There was no more talk about Murray Edinburg or Science Investments, Inc. at that time.

On Tuesday, December 4, 1962, Dennis Sheehan of our staff and I, pursuant to an appointment with Mr. Fisher, went to the SBA to confer with him about certain problems respecting the Pinnacle Investment Corporation investigation in which this Commission is involved. After we had gone over the situation with him and Messrs. Levy and Bender of his staff, Mr. Fisher suggested that Mr. Levy and Mr. Sheehan examine the SBA files on Pinnacle (Mr. Bender had previously left the office) while he spoke to me privately.

During our private conversation, Mr. Fisher stated that he wanted to put something on the line to me and that what he was about to say was not to be mentioned and, if it was repeated, he would deny having said anything of the sort. He then reported a conversation with Mr. Fine the previous evening during which Mr. Fine had said that a settlement of Mr. Edinburg's difficulties with the Commission in the process of negotiation could have been completed through the Boston Regional Office several months ago "with a slap on the wrist" had it not been for some "bastard" in the Commission by the name of Mendelsohn. The Mendelsohn in question was holding up the settlement by demanding that Edinburg pay \$39,000 to Science Investments, Inc. Mr. Fisher said to me that he did not know the facts and did not want to know them. He stated, however, that he had told Mr. Fine that the Mendelsohn whom he knew was a responsible person who would not be doing anything out of malice. I again made it

clear to Mr. Fisher that I did not wish to discuss the matter. At that Mr. Fisher indicated that as I advanced in Government service, more and more people would be asking how I landed a particular job. Under the circumstances, I would not want to acquire a reputation for being obstinate and making enemies. I made no comment on this except to state that I called the shots as I saw them. Mr. Fisher continued by saying that Mr. Fine had requested that he contact me for the purpose of arranging a conference between Mr. Fine's associate, Mr. Ambrogne, and me, and asked me if I would see Mr. Ambrogne. I answered that I would not see him for reasons that I had already made clear. To this he retorted that he had been asked to do a favor and he had done what he had been asked to do.

After further talk about the purported job opening and general enforcement problems, I left Mr. Fisher's office and as soon as I returned to the Commission building, I reported the above to you.

Pete -

Inasmuch as Fisher would no doubt deny everything, proof would be difficult if not impossible. Therefore, I recommend no action on our part.

12/10/62 *Alm J. Brwill*