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DREYFUS CONCERN IS CHARGED IN SUIT

Stockholder Says I.T.T. Deal Defrauded Affiliated Fund

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The Drfyus Corporation was charged yesterday in a civil suit with defrauding its affiliated operation, the Dreyfus Fund, partly through a complex transaction involving the purchase by the fund in 1970 of International Telephone and Telebraph Corporation stock.

The charbe was made in a class action suit filed in United States District Court here on behalf of the shareholders of the Dreyfus Fund. It was brought by Leon Segan, a Scarsdale lawyer and a stockholder in the Dreyfus Fund.

The suit said, in effect, that the Dreyfus Corporation was using its mutual fund to help it gain business for another of its affiliates that managed pension funds. It said that the stockholders had suffered from this business approach.

For example, the suit alleged that the Dreyfus Corporation obtained for Dreyfus Marine Midland Management Corporation, the affiliate it formed to service pension funds, the management of $10-million in I.T.T. pension fund assets.

Stock Purchase Questioned

The New business from I.T.T. was made possible, the suit said, by the Dreyfus Corporation's earlier participation in a separate deal in which the Dreyfus Fund purchased a large block of I.T.T. stock from an Italian bank. This purchase was questioned by the suit.

The complex transaction began when I.T.T. acquired the Hartford Fire Insurance Company in 1970. Retention of Hartford was allowed in a controversial antitrust settlement that I.T.T. later obtained from the Justice Department.

That ruling is the focus of the Senate Judiciary Committee hearings that are currently examing an alleged link between the settlent and a contribution of up to $400,000 pledged by I.T.T. toward the financing of the 1972 Republican National Convention in San Diego.

The complicated stock deal originated in 1969 when I.T.T. was required by the Internal Revenue Service to dispose of the shares of Hartford that it already owned.

It sold them to Mediobanca, in Milan, and the bank later exchanged the Hartford stock for shares of I.T.T. stock, some of which it then sold to the Dreyfus Fund. Both the favorable tax ruling on the I.T.T. merger with Hartford the sale of the Hartford stock to Mediobanca have been questioned by Ralph Nader, the consumer advocate, and his associates.

Mr. Segan's suit said that from 1969-71 total net assets of the Dreyfus Fund declined by more than $400-million. It charged that the losses were due "in substantial part" to the failure of some of the defendants to properly perform their fiduciary obligations to the Dreyfus Fund.

The suit alleged that the transaction involving purchase of the I.T.T. stock was carried out by the Dreyfus Corporation and its officers with the cooperation of the other defendants. The plaintiff's lawyer are Kaplan, Kilsheimer & Foley.

Named in the suit, besides the Dreyfus Corporation were I.T.T., Lazard Freres & Company, Dreyfus-Marine Midland Management Corporation, (now called Dreyfus-Marine Midland, Inc.), Marine Midland Banks, and the Dreyfus Fund, Inc.

Other defendants named were Howard Stein, chairman of both the Dreyfus Corporation and the Dreyfus Fund, and vice chairman of Dreyfus-Marine Midland; Richard A.M.C. Johnson, vice president of the two concerns and president of Dreyfus-Marine Midland.

Also Julian M. Smerling and Lawrence M. Greene, officers of the Dreyfus Fund and the Dreyfus Corporation; Felix G. Rohatyn, a partner in the investment banking firm of Lazard Freres and a director of I.T.T., and André Meyer, a partner of Lazard Freres.

Spokesman for I.T.T., the Dreyfus Corporation, Lazard Freres and Marine Midland Banks, Inc., said that they had no comment until they had studied the complaint.