

The Desolate Scene at IOS

Geneva

The big "for sale" sign posted at a luxurious lakeside estate facing the Alps is just one of the many indications of the hard times that have befallen the once-mighty financial empire of Investors Overseas Services.

On the estate are the 21-room Bella Vista villa and its 16-room annex where Bernard Cornfeld, founder of the empire, entertained lavishly before being deposed as IOS ruler in 1970 by Robert L. Vesco, a fellow American who headed the International Controls Corporation of Fairfield, N.J.

Today Cornfeld, 45, is being held on fraud and other charges in the ancient St. Antoine Jail in Geneva, where he could be joined by Vesco, 37, if Vesco, like Cornfeld, makes the mistake of coming within the reach of the Swiss police who have a warrant for his arrest.

Meanwhile Vesco, who commutes in his Boeing 707 between his retreats in Costa Rica and the Bahamas, is accused by the U.S. Securities and Exchange Commission of having looted IOS mutual of something like \$224 million. He is also under indictment by a federal grand jury in New York in connection with a secret \$200,000 payment he is said to have made to President Nixon's reelection campaign fund.

The Geneva headquarters of IOS has moved since the glory days under the flamboyant "Bernie" from 119 to 145 Rue de Lausanne.

The big red flag emblazoned with IOS in golden letters that proudly waved over the entrance to 119 is in mothballs. No exterior sign at 145 hints that IOS is one of the occupants of the seven-story building.

At 145, where the lobby is unattended, few visitors notice the small sign "7 IOS" high on the wall. Most look up the apartment manager on the second floor to learn where the company's offices are.

On the seventh floor, a small sign on a wooden door discreetly announces the Geneva branch of IOS, Ltd., Montreal.

A ring on the bell brings a polite secretary who opens the door only wide enough to

tell the visitor that there is no one there.

Like Vesco, the present head of IOS Ltd., Milton F. Meissner, also an American, is not likely to be found in Geneva because an arrest warrant has been issued for him too. He has been associated with IOS ever since Vesco, a close friend, began his takeover move in 1970 when the Cornfeld empire began crumbling under the weight of financial difficulties.

Meissner spent a night in St. Antoine Jail with Vesco and a Swiss associate, Ulrich Stricker, in November, 1971. The three men were accused of having misused their authority as officers of an IOS-owned bank to acquire IOS stock that Vesco wanted to vote in a proxy battle then being waged for control of the company. They were released on bail and the charges against them were dropped in March, 1972, after an out-of-court settlement.

As indicative of the downfall of IOS as the "for sale" sign at Bella Vista and the inhospitable Geneva office is the gaping hole that scars a plot of land on the edge of the French village of Ferney-Voltaire.

The hole was to have been a swimming pool that Cornfeld was building for the village in appreciation for its

having welcomed the IOS administrative services center to its territory, only 10 minutes by car from the executive headquarters in Geneva. But the IOS bubble burst before the work on the pool got beyond the bulldozer stage.

Grouped in a French-registered subsidiary called IOS France, the administrative services center employed about 1,200 of the total of the 2500 persons working for IOS in the Geneva area when the company reached its peak early in 1970.

Now the 140 persons still employed in the temporary prefabricated buildings that IOS erected at Ferney-Voltaire are all that remain, except for the 20 said to be attached to the Geneva office.

The center at Ferney-Voltaire handled all the paperwork in keeping the accounts of the nearly 900,000 clients investing in the company's mutual funds, when IOS reached its zenith with \$2.2 billion in assets.

The tide turned in 1970 as IOS investors began the rush to cash in their mutual funds shares because of spreading reports of the firm's financial difficulties. The slide continued until Nov. 28, 1972, when IOS stopped redeeming the shares.

Meissner claimed in a

"Dear Client" letter that the action was forced on the company by the SEC crack-down on Vesco's dealings and by the freezing of IOS funds in a Luxembourg bank by the authorities of the Grand Duchy.

Now there are 240,000 clients. The last calculation of the IOS funds put their total net asset value at \$480 million when redemptions were stopped.

The center in Ferney-Voltaire has almost nothing to do except send Meissner's "Dear Client" letters to investors who seek information about their shares.

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