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IOS story, or the liquidation of a lively corpse

John A. Orr

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THE IOS STORY, OR...

“Do you sincerely want to be rich?” was the question Bernie Cornfeld always posed to potential salesmen for Investors Overseas Services (IOS) in the 1960s. Since Cornfeld, founder and president of the then rapidly growing company, rarely received a negative response, he had no trouble building an army of IOS salesmen that in its heyday reached a total of 16,000.

Cornfeld actually started with a good idea, to sell mutual funds to Americans living overseas and so allow them to participate in the U.S. securities market. But his version of “people’s capitalism” got away from him in the bullish atmosphere of the 60s, and by the end of the decade he was heading an empire with 250,000 investors and some $2.3 billion in assets.

Thus, when the market began to plummet in 1970, IOS headquarters in Ferney-Voltaire, France (just across the border from Geneva, which had kicked IOS out two years earlier) was flooded with requests for redemptions. Company management panicked and threw Cornfeld out, then looked for a savior whose charisma would equal that of their former leader. They thought they had such a person in Robert Lee Vesco.

Their decision marked the beginning of the end for IOS, and with the company’s slow and painful demise came the beginning of what would become the longest-running, farthest-reaching liquidation in history. Indeed, historians may one day call it the most significant international liquidation ever to have taken place.
Before July 1973, all I knew about IOS was what had been in the papers. I didn’t know that there were four Dollar Funds, so called because subscribers invested their money in U.S. dollars. But I was soon to learn a lot about all four, and especially the two Ontario-based funds, the Fund of Funds Ltd. and IOS Growth Fund Ltd. (also known as Transglobal Growth Funds, Ltd., and IOS Growth Fund, Ltd.).

I first got wind of things when a call came in from a senior partner of Borden & Elliot, a prominent law firm in Toronto. They had become involved in the IOS affair and were about to make an application to the Ontario court requesting the appointment of a liquidator for Fund of Funds (FOF) and IOS Growth Fund (Growth). They needed a name to submit with their application and thought of me.

I had worked with George Cihra and others at Borden & Elliot in previous financial matters and receiverships, and they were aware of my work as a financial counsel to Justice S. H. S. Hughes in the Royal Commission on Atlantic Acceptance Corporation, Ltd. And my work was also familiar to the courts. But I had no idea what I was getting into, and the whole thing happened over the course of one weekend. I did make it a point to talk to my partners at Touche Ross, and they promised to take some of my work load if IOS demanded too much of my time. That was fortunate, since we are now in the sixth year of the liquidation and the end may not be reached for another four years at least.

It is worth noting that the appointment of a permanent liquidator is an unusual step for a Canadian court. The Ontario court was in the process of naming the Public Trustee of the Province of Ontario for the liquidation, when Borden & Elliot got involved, on behalf of a group of German investors in the funds. The investors, for a variety of reasons, felt that their interests would be better represented by a private liquidator than by the public trustee. The latter would fall under the jurisdiction of the court.

Section 217 of our Business Corporations Act describes what a temporary liquidator shall do under the appropriate circumstances, but it doesn’t even mention a permanent liquidator. However, Justice Lloyd Houlden of the Supreme Court of Ontario considered that it was important to include this wording because of all the confusion and counterclaims surrounding the funds. Permanent meant that I was an officer of the court, subject to the rules of the Supreme Court of Ontario. The title had a solid, no-nonsense ring to it.

The reason for Canada’s sudden interest in the remains of IOS was, in part, one of embarrassment. For years, FOF and Growth had operated freely from Ontario. But since their activities took place outside Canada, they didn’t have to report anything to the Ontario Securities Commission. Indeed, the Ontario location appeared prominently in each fund’s prospectus, adding an air of credibility that the facts did not warrant.

So when the Securities and Exchange Commission of the U.S. released its explosive report on Robert Vesco’s takeover and plunder of the IOS funds in the fall of 1972, Canadians began to ask themselves what had gone wrong. Since then, our government has taken an active and concerned interest in the goings-on of all IOS-related companies in Canada.

As permanent liquidator, my assignment was to:

- Protect the remaining assets of FOF and Growth,
- Ascertain the identity and entitlement of creditors and investors and their claims,
- Distribute the remaining assets according to the above.

Before any of these things could be done, I had to find the assets and establish my competency to claim them on behalf of the shareholders.

Finding the assets is a fairly standard part of a liquidator’s job. You establish opening balances and then ask yourself some questions: a) What does this company say that it owns? b) Where is it, so I can put a claim on it? c) And this is the tricky part, if it exists, why do I get it and not someone else? Will people accept my order to transfer it to me as liquidator?

What made the IOS assignment so unique was, first, the diversity of the assets, the investments themselves. Some were restricted securities, some were traded securities. All had been set up in such a way as to ensure that...
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the shareholders of the funds avoided paying taxes. That had been a plus for shareholders back in the 60s but worked against us now, since we had to deal with a plethora of regulatory authorities in trying to establish our competency.

Establishing competency is primarily a legal matter, and so partner Alan Moreton, myself, and others at Touche Ross have worked as a team with members of Borden & Elliot, principally George Chra, Reno Stradiotto, and John Warren. Because of the multiplicity of jurisdictions and the legal ramifications, we have relied on legal counsel far more than in a "normal" liquidation. Unlike the U.S., which usually names a lawyer as liquidator, in Canada we appoint a Chartered Accountant for this kind of job, so legal counsel has been necessary from day one.

However, we found that even the recognition of our competency was not enough to guarantee us access to fund money. IOS was different from other liquidations, in the second place, because a lot of people were laying claim to the same assets...and still are. So even when we located funds, and were recognized as having a legitimate claim to them, other people were making similar and seemingly legitimate claims on the same assets. Not only Vesco and his cohorts, but also the liquidators and receivers for the other Dollar Funds and IOS, Ltd. Plus, a lot of counterclaims by various regulatory authorities and shareholder groups, each seeking to represent the interests of all IOS shareholders.

Our situation may be depicted as that of a surgical team trying to do an autopsy on a corpse—except that the corpse keeps jumping off the table, trying to take the instruments right out of the doctor's hands.

I was blissfully unaware of what lay ahead—the size of the case, the people-oriented problems, the time and travel demands—when my appointment became official on August 1, 1973. My preparation had consisted of reading everything I could get my hands on: affidavits, the SEC-Vesco complaint, the book about Cornfeld, Do You Sincerely Want to Be Rich?

Then our team met, and we decided the first thing to do was to go and find some money. The court had appointed a liquidator, but it was up to the liquidator to find enough money to carry out the liquidation. Until we did so, everything was being financed out of our own pockets.

We knew from preliminary reading
that there was fund money, a lot of it, at the Bank of Montreal. We were a little naive to think that we could take a briefcase there and be recognized as a nice honest liquidator and that the bank would then hand us $50-60 million. Let’s say that that trip added to our knowledge of what lay ahead. We realized, first of all, that cooperation with the other Dollar Funds was essential. Secondly, we saw that some kind of accord would have to be reached with the SEC.

The SEC had been following the fortunes of IOS since the mid-60’s, and had done an excellent research job in pulling together their report on the company in 1972. Moreover, they had been through a trying period of dealing with people in high places who were trying to influence them and get them off the case. Vesco’s $200,000 unreported donation to the Committee to Re-Elect the President was the most notorious example.

Besides, for years the SEC has had a policy of policing companies which do business in the U.S., regardless of the country of origin. Although only 200 Americans in the U.S. bought shares in IOS, many Americans overseas were hurt, and the SEC felt that it was the one body with enough power to pull together all the disparate pieces of the IOS puzzle. So they had been fighting for a U.S.-appointed receiver to take over the assets of IOS, wherever they might be. Along comes a Canadian liquidator following on work they’d already done, and it’s easy to see why with this in mind, they were cross.

How upset they were became apparent when we went to New York for a meeting in September, 1973, a month after my appointment. We were planning to meet with some former IOS officers who had some useful data, but counsel who had acted for IOS arranged a meeting to introduce me to Judge Charles E. Stewart, Jr., who was presiding over the SEC suit in New York. At the same time and unknown to me, counsel also informed the SEC that I was to meet with Judge Stewart concerning my role as permanent liquidator. All of a sudden, we were in a meeting with Judge Stewart and several SEC lawyers who were in telephone communication with Washington.

After some tense interchange I said, “Listen, I’m here to say hello, so that you can see what the Canadian liquidator looks like. But we aren’t about to argue over who is a receiver and who isn’t, and we don’t wish to pursue that discussion at this time.” At which point Judge Stewart asked if I am related to the hockey player Bobby Orr, and the meeting broke up.

It was clear then that we would have to work with the SEC, or we’d wind up fighting each other and Vesco would benefit. But it took six months of re-drafting before we worked up an agreement acceptable to the SEC and to ourselves. That document, called a consent order, stipulates that I must keep Judge Stewart and the SEC informed of my progress, and that I may accept rulings from Stewart. But in the case of conflicting orders, my final judgment will come from Justice Houlden of the Ontario court.

Since the signing of the consent order, we have had excellent working relations with the SEC. But for those first six months, the going was tough. Meanwhile, we had been on 30 or more fact-finding missions to Europe and the Caribbean—still subsidized by our own money—over a three-month period. Now, some big figures began to be bandied about, and I realized that the collection and distribution of a possible $100 million was going to take a lot longer than I’d thought.

My next step was to attend a meeting of the regulatory bodies which had first got together six months earlier. This group, which came to be known as the International Regulatory Committee (also known as the Regulatory Authority Group), consisted of representatives of the Ontario Securities Commission, the Quebec Securities Commission, the SEC, the Luxembourg Banking Commissioner, Judge Weber who was presiding over IOS-related matters in Switzerland; and all liquidators and receivers who had been appointed up to that time. This was our first exposure to the diplomacy necessary in a multinational environment among people with competing jurisdictions and interests.

We saw, first, that liquidators for the two remaining Dollar Funds—International Investment Trust (IIT), domiciled in Luxembourg, and Venture
Fund N.V., domiciled in Curacao—needed to be appointed before the Bank of Montreal would consider releasing the IOS assets it held. Eventually, they were appointed, and from then on we worked together in relative harmony. We tried to track down fund money and apportion it equitably among the Dollar Funds and, through a combined administrative vehicle, pay dividends to actual investors in the funds.

While this was going on, we heard about some assets that might be obtained in Panama. A company called Dominion Guaranty had been formed there by a group of IOS salesmen in the Cornfeld era, probably as a sort of payoff. Actually, Dominion was a wholly-owned subsidiary of FOF Proprietary Funds, Ltd. (Prop), which in turn was a wholly-owned subsidiary of FOF.

Since most of the assets of FOF were held in the name of Prop, it was important that FOF’s liquidator gain control of Prop. The latter, after all, was neither in liquidation nor bankruptcy. As liquidator of FOF, I held all shares of Prop, so we formed a new board which elected me president of Prop. Having laid this groundwork, we were in good shape to take over Dominion Guaranty and its assets of some three-quarters of a million dollars.

We flew down to Panama and took over Dominion much as we had taken over Prop. Since our Panamanian counsel didn’t like the idea of one man taking over the company, we signed the final papers in our Panama office, not his. Then we learned that the remaining assets of Dominion were in London, not Panama. So we took our documents, all beautifully bound in blue ribbon, and flew to London.

The bank manager to whom we presented ourselves was impressed by neither documents nor ribbons. He insisted on an indemnification against any suit that might be brought against him within 30 days for releasing the money. So George Cihra dictated such a memo to a secretary at the same time that the banker was sweating and signing.

Then we had the $750,000 transferred to an Ontario bank. This was our first real milestone—finding a kitty from which to operate. Our accomplishment was well-timed, for in the same period of September-October 1973, we began to feel the first countermoves by Vesco and his principal associate, Canadian-born accountant Norman LeBlanc.

The Vesco interests brought an action in the Bahama courts, whereby they pressed for the appointment of a liquidator for IOS Program Ltd. They claimed that Program was an intermediary between the shareholders and the liquidators of the four funds. Presumably the liquidators of FOF, Growth, IIT, and Venture should collect all the assets and turn them over to Program’s liquidator, who would then distribute them in the best interests of the shareholders.

The Bahamas were friendly territory for Vesco, and the result of his actions was an injunction by the Bahaman court, effectively freezing all IOS assets in the Bahamas for a number of months. We knew that the Bahamas Commonwealth Bank (BCB) was a vehicle through which significant sums of IOS money flowed, and we also knew that there was about $5 million in another sub-depository bank there. We immediately began working through legal counsel to get the injunction lifted.

In February, 1974, I was in the Bahamas for meetings, but planned to leave after a day to join my family in Florida. One of the IIT liquidators begged me to stay over. I did so, reluctantly, and the very next day the injunction was lifted. It was lifted for only two days, but that was enough time for me to present my credentials and remove $5.6 million. If I hadn’t stayed over to help the liquidator of IIT, who knows how long it might have taken to get that money.

Meanwhile, I had received my exemplification in Luxembourg (i.e., was recognized as being who I said I was), and it seemed like a straightforward matter to present credentials at the two sub-depository banks we knew about and take our money. But when we got to the banks, we were told that while our credentials were well and good, their customer was Overseas Development Bank Luxembourg (ODBL). ODDBL had been part of a banking network set up by the Vesco group to loot the funds, and ODDBL
had in turn sub-deposited funds in other banks.
So we went to ODBL and asked for an assignment to pay. At first, they brought up the problem of exemplification. When that was resolved, the question came up of whether ODBL was solvent or not. A commissioner was appointed to check the bank's solvency, and he decided that it had to be put into controlled management. Three new commissioners were appointed to that task.
Their review took months. They reached the conclusion that if all the Dollar Funds were to be paid out dollar for dollar, ODBL would be bankrupt and the mess would take years to clean up. They suggested drafting a plan whereby the bank might stay solvent, even by a dollar's worth, and an orderly liquidation might occur. So we got together with the commissioners and the other fund liquidators and worked out a plan. Then that plan was circulated to the creditors of ODBL, approved, and brought before the Luxembourg courts, which accepted it.
At that point, we again went to Luxembourg to pick up the money.

Our problem this time was that no one wanted to take the check when we tried to redeposit it in some other bank. For political reasons, we needed to leave the money in Luxembourg; but every day that we walked around the city with $4.5 million in our pockets, it was costing the fund shareholders a bundle of dough.
Finally one of the IIT liquidators prevailed upon a Swiss bank to accept a $4.5 million deposit. The bank manager was perspiring, but he took the check, in the name of John Orr. Not myself as liquidator, but just John Orr, resident of Canada. We thought it a very good idea to have George Cihra as a signing officer, just in case something happened to me while flying back to Ontario. In fact, we thought it such a good idea that we laughed about it all the way home... for we wound up taking the same plane back to Toronto!
Along about this time we began to be concerned about the taxation issue. Here we were repatriating money to Canada and putting it into certificates of deposit, and the interest would normally be taxable. The funds hadn't paid Canadian taxes as non-resident corporations, but that situation no longer applied. And the taxes to be paid would be fairly significant. We raised the question: was this fair to all those international investors, whose money was being repatriated at the behest of the Canadian government? We were frankly concerned, because this issue could be used against us by the ever-active Vesco group. It might be held as proof that we were trying to rip off the funds for the Canadian government. Eventually, we got a ruling from our government that the repatriated assets would not be subject to tax. That was another satisfying milestone for us.
Sandwiched between these activities was our continuing interest in OS headquarters at Ferney-Voltaire. It was obviously in the best interest of all the liquidators to sort out the shareholder records and keep the operation there running. So work moved along on that front (see accompanying story), and after some quibbling among the liquidators concerning the apportionment of costs, we directed the London office of Touche Ross to take charge of the work at Ferney.
We survived in all this confusion with a slogan and a motto. The slogan was: "Whom do you trust?" I started out with the assumption that everyone I met was guilty until proven innocent. I figure if you go in looking for anything that will mark this person as a liar or a cheat and you don't find anything, then you've got a basis for trusting him or her.

Our motto was "A laugh a day." Believe me, we couldn't have survived the frustration without it. Things that should have taken days took weeks, and issues that might have been resolved in weeks dragged on for months.
From about mid-1974 on, our work began to take a more definite form.
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We knew that the Bank of Montreal had about $106 million in fund money and that at some point further down the road all the fund liquidators would have to get together and work out an equitable distribution among us. We had worked up an agenda of items to examine one by one. For example, should anybody be sued? We answered that one in the affirmative several times, and many litigations are still pending.

For every step we took, we could usually count on Vesco or LeBlanc to counter with a step of their own. It was like a game of chess on a global scale. We know that LeBlanc forms companies as readily as he lights a cigarette, and he can dispose of them just as easily. So we decided that his shell companies wouldn’t bother us. As long as we knew where the money went in the first stages, where it went after that was in a way academic.

The disappearance of $60 million (out of our estimated $107 million in recoverable assets) is more than academic, however. In 1972 Vesco funneled this sum into a Costa Rican shell company called Inter-American Capital S.A. Fifty-four million was then transferred into Phoenix Financial, a Panamanian shell. Most of that found its way to Trident Bank, Ltd., which is a sub-depositor of Bahamas Commonwealth Bank. BCB is now in liquidation, but it took three years to reach that point. Meanwhile, Vesco claims: one, that he doesn’t know anything about the theft of the money; and, two, that there isn’t any left anyway.

We keep reminding ourselves that we are after money, not people, but people and personalities have a lot to do with our degree of success. We’ve met Vesco a few times in the Bahamas and Costa Rica, and after the first meeting I had to go over my files on the man very carefully, to remind myself of the kind of person he is. He can be deceptively charming.

Cornfeld, on the other hand, was surprisingly devoid of charm the two times we’ve spoken. Here was a man whom associates swore was the epitome of charisma at his height, and now he is not even particularly likeable.

Our reactions to Vesco and Cornfeld personally were not as important to our job as getting along with the liquidators of the other funds. IIT has two lawyers and a CPA from Luxembourg, and Venture has a lawyer and an accountant from Curacao. George calls me the “elder statesman” of the group, since they chose me to act as chairman for our joint meetings. It hasn’t always been easy to come to agreement, since we are from different backgrounds, with different personalities, and we are responding to dissimilar legal requirements.

As North Americans, we tend to take a businessman’s approach to a liquidation: i.e., let’s handle a problem in the most expeditious way. The Europeans, however, take the position that they are court-appointed liquidators, not businessmen. If they have to spend $100 to fight over $1, they’ll do it. So there has been much to compromise in the years we have been working together.

Another milestone was reached in September, 1976, when we made our first distribution of funds to Growth shareholders. They have since received a second disbursement, and by and large the settlement of IOS Growth Fund is complete. Growth has always been the easier of the two funds to deal with. It was more recent, so records were more up to date. Its shareholders were virtually all German, so the shareholders were much easier to track down. It was a smaller fund, so the assets were easier to trace and Vesco was less interested in siphoning them off.

The first checks were mailed to FOF shareholders in July, 1977. The geographical dispersion of these investors was one reason for the delay (again, see accompanying story) but we also couldn’t pay a nickel till our suit against Bahamas Commonwealth Bank was settled. Meanwhile, the regulatory bodies were getting impatient, and we were getting letters from people who had heard about the liquidation and wanted to know where their money was. The other liquidators were unhappy because the unfavorable publicity was casting a bad light on all the funds. So we geared up our machinery at Ferney-Voltaire, and once the BCB settlement came in May, 1977 we were ready to roll.

Speaking of publicity, that is another
factor one doesn’t tend to encounter in a “normal” liquidation. Cornfeld cultivated the press with his penchant for beautiful women and opulent surroundings, and Vesco was no less eager to have his name spread, though he preferred the reputation of international financier to that of international playboy. So anything to do with IOS was fair game for the press in any one of 150 countries boasting IOS investors.

Reporters often tried to listen in on meetings of the International Regulatory Committee, but we tried to discourage this. We didn’t know for sure whom the reporters were representing; and as the committee itself grew, we didn’t always know all of its members, either. I remember one meeting in Luxembourg when we had a group of some 60 people seated at an L-shaped table. I looked around the room and realized I didn’t know half the people I was talking to—and what’s more, the table went around the corner so I couldn’t even see the other half.

Then, at another regulatory meeting, some reporters from the German publication Der Spiegel tried to gain admittance. We refused the journalist, but agreed to let the photographer, a striking young woman, take some pictures. It turned out that she was not only a photographer but a reporter as well, and she laced into us with a less than flattering account of our activities in the next issue. (Among other things, one of the lesser delegates to that meeting was unwise enough to make a pass at her.)

It is now our intention to make a second payment to FOF shareholders in November, 1979. We are actively involved in proceedings against seven cash depositories, and are monitoring closely some 38 claims relating to portfolio securities.

To try to recover the missing $60 million which disappeared into Inter-American Capital S.A., we have taken a number of steps. We have brought lawsuits against almost everyone involved in the transactions which led to the disappearance of the funds. We have written several hundred letters to Panamanian and Costa Rican banks and regulatory authorities, asking for additional information. We’re even open to discussing some sort of arrangement with Mr. Vesco, but he has not heretofore indicated much willingness to cooperate.

On behalf of FOF shareholders, we were successful in protecting the assets of Global Natural Resources Properties, Ltd., a corporation which was spun off from FOF in 1970. Global’s stock is not worthless, although FOF shareholders might have thought so at the time. We went to court to bring Global under the control of a trustee, and we told FOF investors that it was in their interest to obtain and hold onto the shares of Global to which they were entitled.

We’ve received many kind letters from shareholders grateful for the work we’ve done on their behalf. One fellow wrote to say he was framing his dividend check, rather than cashing it. But we have a problem about what to do with the money belonging to shareholders we’ve been unable to locate. It is in the bank earning interest, and at some point the court will have to resolve the question of who gets that interest. Should it go to the shareholders who may turn up in the future? People who came forward and were paid at the outset might object, since it has cost more of their money to locate the laggards. The court will have to grapple with that issue, and also the question of what to do with the residual assets, once a final disbursement has been made. There is bound to be money left over from unclaimed shares, and probably it won’t be enough to justify the expense of mailing out to all known shareholders. The court might name a public trustee, or an agent; we just don’t know right now.

No other liquidation in history has involved so much time and money, so many creditors/investors (250,000) spread over such a wide geographical area (the world). Some have called it the first truly effective international
liquidation. Unfortunately, there is no precept of international law to prevent such a situation from happening again. The role of the International Regulatory Committee is a temporary one, and it has no supranational policing authority in any case. Cooperation on every level is essential in a liquidation of this dimension, and we got it through the committee, and through our own team.

The Touche Ross office in Toronto has provided ten members of that team, and we've called upon Touche Ross officers in Montreal, New York, Houston, Denver, the Bahamas, Panama, London, France, and Tokyo. We've also been most fortunate in our choice of legal counsel. In addition, we've enjoyed the confidence of the Ontario court. So despite the aggravations and the setbacks, and the years invested, we can look at this job as a very special challenge.

I personally will be close to retirement age by the time the liquidation is wound up. But I'm looking ahead with anticipation. We were discussing this matter with Vesco one day and he said, "Why don't you fellows let go of this one and go home?"

"No," we answered. "We'll get another one to work on so that George and I will have something to do."

And Vesco responded, "What makes you think that I'm not working on another one right now?"

We are available.

Meanwhile, back at Ferney-Voltaire

In the glory days of IOS, Ferney-Voltaire was an exciting place to work. But when disillusionment set in during the early 1970s, the headquarters staff shrank to a handful.

We realized that Ferney had to be in good working order, if we were to carry out our obligations as liquidators. So we, and eventually the liquidators of the four Dollar Funds collectively, took over the operation at Ferney. The London office of Touche Ross provided us with management personnel.

Our work consisted of four stages:

1. Validating and updating the shareholder records we had,
2. Contacting the shareholders,
3. Processing claims as they came in,

We started with a two-reel computer tape confiscated from IOS headquarters by the Swiss police. We didn't know whether there might be bugs in the computer program, and we weren't sure if that tape was the definitive version of the IOS master file. So we conducted a computer audit. This was a two-step operation in which we both proved details on a sample of accounts going back through all available investment records and used records of computer transaction tapes, which we found at Ferney, to prove the validity of the computer process records. In other
words, we confirmed the current details on the master tape and then backtracked through the computer processing records to make sure our information cross-referenced to past investment records. We found an extremely high confidence ratio this way.

At the same time, we were developing a completely new set of data updating and managing information for the computer program. The IOS master tape was quite non-standard and required use of a low-level computer language. So we rewrote the program from scratch to bring the program to a more standard, sophisticated, and manageable form.

Then we set up standards for the processing of claims. These standards had to be worked out by the four funds’ liquidators, drawn up and submitted to courts in Ontario, Luxembourg, and the Netherlands Antilles for approval. To meet everyone’s requirements, we wound up building a Rolls Royce that met very stringent specifications. Everything had to be worked out and agreed upon—the drawing up of Confirmations of Statements of Account (CSAs), the amount of proof needed and for what value of account, the definition of high- and low-value accounts, signature guarantees, death claims, divorces, changes of name, minors reaching adulthood. As an adjunct, we had to train people to carry out our clerical testing procedures.

We completed the above by March, 1975, and the following month we began to mail out our statements of account for all the Dollar Funds, starting with Growth. By August we had completed all 250,000 mailings. In the first week, after a mailing of 60,000, we had 5,000 letters returned because of incorrect address. We were initially discouraged, but our overall first-time response was 40 percent.

We achieved this level of 100,000 replies by October 1975. We waited that long for our “cutoff point,” because we were mailing to practically every country in the world, many with inefficient mailing systems. Moreover, we were mailing in only four languages (English, French, Spanish and German), and many more tongues were represented among the fundholders. In addition, IOS customers tended to be highly mobile people who were often away from their home addresses.

Since we were obliged to make every possible effort to contact shareholders, we then remailed the CSAs, with a new letter, to the non-respondents. We got replies from another 25,000 this way.

But 50 percent were still missing. So we set up a procedure to trace them, using both internal and external documentation. We also picked up clues from the shareholders’ original application forms, especially for accounts in which the address had been bad to start with. We ran ads in various newspapers, advising IOS shareholders that a disbursement of assets was in the offing. Finally, we ran a third and final mailing.

Our track record for Growth Fund is satisfying; we have located 96 percent of its shareholders by number and 99 percent by value of shares owned. For Fund of Funds, we have fared less well. We finally tracked down 78 percent of its shareholders by number, but this represented 93 percent by value and determined our cutoff point. We are no longer actively looking for shareholders.

We anticipated that there might be problems of manipulation and control as the CSAs were returned. In one week, at our peak, we had 15,000 letters come in. So we laid down our processing procedures most carefully. All claims were double-checked. If a claim was for over $500, the shareholder’s signature had to be guaranteed in some way. Also, we checked each signature on the CSA against the client’s application signature. This was a hand job, one of the few facets of the operation we could not assign to the computer. Plus, we had a sample check of work by supervisors and a separate sample check by audit. Our staff at Ferney grew from 6 in May, 1975, to some 170 at our peak in September, 1976.

When we reached the stage of making payments, we had further headaches. We looked worldwide for a bank to make the payments, and had very few offers. We needed a bank with credibility, financial wherewithal, considerable assets (all the checks had to be dated and mailed the same day, since the German fundholders were sensitive to the fluctuations of the Deutschmark), and computer expertise.

Toronto Dominion Bank was our final choice. All our payment instructions to them are handled by computer, and their notification to us of payment is done likewise. We even have a subsidiary computer system to keep track of what happens to each check after mailing.

Since May, 1978, it has no longer been advantageous for FOF and Growth to operate from Ferney. Our computer tapes are in Ontario and our records must end up here anyway, since the courts will eventually take over any unfinished aspects of the liquidation. The other two Dollar Funds are wrapping up their operations at Ferney as well, though for the moment the IOS archives remain there.

The archives remain, as does one other momento of the Cornfeld days of glory—a huge hole which was to have been the foundation for a magnificent building to house the IOS empire.