

TERMINAL REPORT

✓
OFFICE OF ALIEN PROPERTY CUSTODIAN

October 1946

Washington, D. C.

323317

Letter of Transmittal

Washington, D. C.
October 14, 1946

President Harry S. Truman,
The White House,
Washington, D. C.

My dear Mr. President:

I have the honor of transmitting to you the Terminal Report of the Office of Alien Property Custodian. The Report is designed to furnish you and the Attorney General with an account of the problems and current status of work of the Office at the time of the transfer of its functions to the Department of Justice.

Respectfully,

James E. Markham
Alien Property Custodian

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PART ONE

BACKGROUND AND SUMMARY

This part of the Report provides a brief resume of the broader and more important aspects of the activities of the Office of Alien Property Custodian. Chapter I presents a short account of the development of the basic programs of the Office since its establishment in March 1942. Chapter II describes the present status of the Office's work and the principal problems to be met.

I

DEVELOPMENT OF THE OFFICE'S PROGRAMS

The Office of Alien Property Custodian controls property with a total asset valuation of nearly \$500,000,000, in which the Custodian's net equity amounts to approximately \$300,000,000. In addition the Office holds 46,000 patents and inventions, at least half a million copyrights, and many other valuable interests which cannot be appraised in dollars. Most of this property was vested during the period of hostilities for use in the war effort. Other properties have been seized since the termination of hostilities as part of the agency's program to eliminate all interests of hostile German and Japanese nationals in property in the United States.

Original Functions

The Office of Alien Property Custodian was established on March 11, 1942, ^{1/} principally to vest in the Government title to productive enemy assets in the United States and to put them to the fullest possible use in the nation's war effort.

During the succeeding year there were vested the enemy interests in 300 business enterprises and the interests of enemy and enemy-occupied nationals in 42,000 patents and inventions. In the years immediately following, extensive investigations resulted in the vesting of an additional 120 enterprises and 4,000 patents and inventions.

Approximately a quarter of the vested enterprises were continued as going concerns. Under the control of the Office they were encouraged to make the maximum contribution to war production. During the period of hostilities they earned 31 Army-Navy "E" awards and produced \$600,000,000 of war goods, consisting primarily of chemicals, dyestuffs, airplane parts, plastics, photographic equipment and materials, and scientific instruments of many varieties.

Other enterprises were placed in liquidation. In general this action was taken because they were unprofitable or dependent

^{1/} By Executive Order No. 9095. This Order was amended on July 6, 1942, by Executive Order No. 9193, which defined the Custodian's jurisdiction in greater detail. Executive Order No. 9142, of April 12, 1942, transferred to the Office from the Department of Justice the remaining functions of the World War I Alien Property Custodianship.

upon enemy business affiliations. Machinery, materials, and other tangible assets of these companies, together with similar property vested directly, were sold to the armed forces and war producers.

The technology embodied in the vested patents, constituting probably the largest patent pool in the world, was made available for use in the interest of the war effort and the national economy through a system of nonexclusive royalty-free licensing, wherever legally possible. Copyrights to valuable enemy scientific periodicals and books were vested and the materials republished for use by American chemists, physicists, and technicians.

The Office also performed certain other functions arising from the existence of war. Among these was the representation in court and administrative actions and proceedings of persons residing behind enemy lines. 2/

Changes in Objectives

By the middle of 1943 the Office had practically completed the vestings of greatest war urgency, although much administrative work remained. It reduced its staff by a third, thus releasing manpower for other essential war activities. Meanwhile plans were developed for work which could be largely deferred until the end of hostilities. Policies and procedures for the sale of business enterprises and other properties and for the settlement of certain classes of claims against the Custodian were developed and set in operation.

Continuing discussions were held with the Department of State and the Treasury Department to meet the changing needs of enemy property control and to develop a comprehensive plan for the treatment of enemy assets in the United States. The surrender of Italy and her acceptance as a co-belligerent resulted in a suspension of Italian vestings in December 1943. The liberation of Europe in the following year likewise halted the vesting program with respect to nationals of enemy-occupied countries, which had been confined almost entirely to patents and copyrights.

In the spring of 1945, the Secretary of State, the Secretary of the Treasury, and the Alien Property Custodian agreed that all property in the United States of hostile German and Japanese nationals should be vested in the Alien Property Custodian and that neither the property nor its proceeds should be returned to the former owners. Accordingly, they recommended to the President that the Custodian be authorized to vest German and Japanese

2/ This function was specifically delegated to the Office by Executive Order No. 9193.

bank accounts, credits, securities, and other properties not seized under the original vesting program. This recommendation was approved, and the expansion of the vesting program was authorized by Executive Order No. 9567 on June 8, 1945.

Developments after Termination of Hostilities

After the issuance of Executive Order No. 9567, the Office had authority to vest additional property valued at \$185,000,000 to \$224,000,000, compared with \$209,000,000 seized before June 30, 1945. To secure information on unvested properties, the Office planned and set in operation a comprehensive reporting program under which all persons in the United States were required to report to the Custodian all German and Japanese properties in their control or possession. Investigations were begun to uncover property not reported to the Office. A staff of investigators has been sent to Germany during the past year to gather evidence on concealed German ownership of properties in the United States. The liberation of the Philippines permitted the opening of a branch office in Manila in September 1945.

The increased rate of vesting resulting from the new program may be judged by comparing the total of \$32,000,000 vested during the nine months ending October 1, 1946, with the total of \$7,800,000 for the same period in the preceding year.

The program of liquidating and selling vested property was pressed to the limit permitted by existing law and sound business judgment. The increased rate of liquidations and sales may be judged from the growth in total cash held by the Office from \$51,000,000 on June 30, 1945, to \$102,000,000 on October 1, 1946.

Legislation permitting the return of property vested from nonenemies and the payment of American creditors of the former owners of vested property was enacted during the last session of Congress. ^{3/} With this legislation the Office was able to plan on a broad scale what will probably be one of the final major steps in the administration of vested property.

^{3/} Public Law 322, approved March 8, 1946; and Public Law 671, approved August 8, 1946. Authority under Public Law 322 was conferred on the Alien Property Custodian by Executive Order No. 9725 of May 16, 1946; no delegation was required under Public Law 671.

II

CURRENT WORK AND PROBLEMS

The current work of the Office of Alien Property Custodian and the important problems that must be faced may be most conveniently discussed according to the three principal phases of the Office's treatment of property: (1) vesting and investigation; (2) administration, liquidation, and sales; (3) disposition of vested property or proceeds.

Vesting and InvestigationsVesting Policy

The primary objective of the present vesting policy of the Office of Alien Property Custodian, as developed after consultation with the Department of State, is to vest all property in the United States of persons who may be termed, for lack of a more precise expression, hostile German and Japanese nationals. The policy in all its details embraces many particular determinations on the treatment of different classes of persons.

In general all property of German and Japanese citizens residing in Germany and Japan is vested unless available evidence indicates they were victims of persecution by their governments. The property of corporations and other organizations owned by German and Japanese citizens resident abroad is also vested. On the other hand, property of German and Japanese citizens residing in nonenemy countries and of nonenemy citizens residing in enemy countries is not vested except under special circumstances.

Policy with respect to certain categories of German and Japanese nationals is not yet fully formulated. In particular, no definitive solution has been reached on the treatment of property in the United States belonging (a) to corporations in friendly countries wholly or partially owned by Germans and Japanese or (b) to corporations in Germany and Japan wholly or partially owned by Americans and nonenemy foreign nationals. The problem involves the method of treating not only enemy equities but also the interests of nonenemy nationals associated in business with Germans and Japanese. Moreover, other allied governments face similar situations, and in some cases the interests of the United States and its nationals are involved. It is expected that decisions on appropriate action in these cases will be made by international agreement. A meeting, presently scheduled for November 1, 1946, will be held by the Inter-Allied Reparations Agency in Brussels to work out such an agreement. This Office has been invited by the Department of

State to send representatives to the meeting. Preparations for the meeting, including the development of proposed solutions to be offered by the United States, are among the pressing current problems of the Office. ^{4/}

Final decisions on the vesting of German and Japanese diplomatic and consular property are also pending. While the Office has authority to vest all other property of the German and Japanese governments, control over property used for diplomatic and consular purposes rests with the Department of State. ^{5/} In certain cases it is expected that the Department will release such properties for vesting. The State Department also controls property left here by German and Japanese diplomatic and consular officials, and negotiations which may lead to the vesting of these properties are also in progress.

Executive Order No. 9567 expanded the vesting program only with respect to property of nationals of Germany and Japan. Pursuant to Executive Order No. 9193, however, the Office may still vest certain nonliquid assets of nationals of other enemy countries. At the request of the Department of State the authority to vest Italian property is exercised only in unusual cases and the authority to vest property of nationals of Hungary, Roumania, and Bulgaria is exercised only with respect to property acquired in the United States by such nationals prior to December 7, 1945.

Present Status of the Vesting Program

As of October 1, 1946, the Custodian has vested property with an estimated value of \$247,000,000. This property, through income and appreciation since vesting, has increased to an estimated present value of over \$290,000,000. There remains to be vested an estimated \$140,000,000 to \$180,000,000 worth of property.

Among important properties to be vested are interests in estates and trusts (\$31,000,000), property in the Philippines (\$40,000,000), securities (\$23,000,000) and bank accounts, notes, claims and credits (\$40,000,000). In addition, approximately 60 business enterprises are now under investigation. Many of these companies are involved in inter-custodial conflicts; others are suspected of being held for enemies by nonenemy cloaks. It is not possible to predict whether inter-custodial arrangements will

^{4/} Other inter-custodial problems, which are of lesser importance and on which a considerable measure of agreement has already been indicated, will also be discussed at the Brussels meeting.

^{5/} Pursuant to Executive Order No. 9760 of July 23, 1946.

provide for vesting the first group or whether investigations will successfully establish enemy ownership in the second.

About 20,000 reports on unvested enemy property have been received by the Office under the new reporting program conducted last spring. Another 1,400 reports filed under an older but continuing reporting program on property under judicial supervision remain to be processed. Perhaps a total of as many as 5,000 additional reports of both classes will be received before the vesting program is completed because of past failures to report and acquisition of new properties by enemies through inheritance. Although the Office is now rapidly processing reports, most of this work lies ahead.

Investigation

Pre-vesting investigations to uncover cloaked ownership of business enterprises require in each case painstaking analysis of a series of transactions believed to have been designed to conceal enemy interests. Intensive searches must be made for evidence on the terms and intent of such transactions. These investigations are undertaken not only in the United States but also in Germany. Similarly difficult are investigations of other cloaked assets and of property, not deliberately concealed, which persons have failed to report to the Office. Comprehensive examinations of records of the Treasury Department and of reports of external assets filed by German citizens will have to be made. Investigations may also be necessary where reports fail to disclose adequate information, particularly with respect to life insurance policies when proof of continued life or death of persons in enemy countries is of crucial importance. A program for the opening of safe-deposit boxes leased by or on behalf of German and Japanese nationals must also be inaugurated.

Investigations after vesting are needed to assemble evidence to defend the Custodian in title and debt claims and suits, to insure elimination of all enemy interests prior to the sale of business enterprises, and for other reasons. Investigations on the past affiliations of bidders for vested property are also required.

Administration, Liquidation, and Sales

Business Enterprises

The Office of Alien Property Custodian has vested the enemy interests in 414 business enterprises in the states and territories of the United States. Of these, 30 have been sold, 3 returned to their former owners, and 46 completely liquidated. Of the remaining 335 enterprises, 84 are continuing as going concerns and 251 are in liquidation.

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GOING CONCERNS.--By and large it is the objective of the Office to sell companies continued as going concerns. There are, however, exceptions to this policy. For example, 15 companies formerly controlled by Italians, Austrians, and certain other foreign nationals are withheld from sale at the request of the Department of State. Twelve patent holding companies continue to operate but, in line with the policy of not selling patents, should ultimately be liquidated. Another dozen companies also involve special problems which may make liquidation preferable to sale.

Of the approximately 50 going concerns which are to be sold, a half-dozen in Hawaii are scheduled for sale this fall. Other sales will be possible only after certain technical difficulties are overcome.

The most important reason why the sale of business enterprises has been practically halted is that over half of the companies slated for sale are subject to suits under Section 9(a) of the Trading with the Enemy Act, brought or threatened by American citizens, or nonenemy foreign nationals claiming ownership of the vested interests. Present law prevents sales of properties subject to such suits. The Custodian has desired modification of this prohibition where the suits are brought by foreign nationals for two reasons: (1) to expedite the sale of vested property and thus avoid delays of many years in disposing of major properties such as occurred after World War I, and (2) because it is considered that evidence of enemy control strong enough to lead the Office to vest interests in enterprises, particularly those of strategic importance, justifies the United States in preventing their return to foreign ownership, regardless of the outcome of the suits. At the last session of Congress, legislation was proposed by the Office, in conjunction with the Departments of State, Justice, and the Treasury, to remove this statutory prohibition with respect to suits brought by foreign nationals. It was further proposed that foreign claimants be allowed to sue for just compensation. This modification of the law was not enacted, but it is to be hoped that the next Congress will address itself to the problem. Meanwhile, in certain cases, the Office is negotiating with plaintiffs who may be willing to enter into stipulations which will permit sales and restrict the suits to cash proceeds or whatever compensation is provided by future legislation.

Immediate offerings of other companies slated for sale cannot be made because current investigations may result in the vesting of additional enemy interests or because of unresolved legal, patent, and business problems.

ENTERPRISES IN LIQUIDATION.--The remaining work required on companies in liquidation consists largely of collection of difficult accounts, settlement of outstanding litigation, disposition of foreign assets, completion of payment of liabilities, and distribution of liquidating payments to the Custodian and other owners. The problem of foreign assets is by far the most complicated; many of these assets have been seized or frozen by other governments. Agreement on principles for the treatment of foreign assets may be reached at the Brussels meeting on inter-custodial problems scheduled for November 1. Practically all of the liquidating companies are wholly staffed by employees of the Office; the major exceptions are a group of 21 banks and insurance companies being liquidated under the general supervision of the Office by state superintendents of banking and insurance.

Patents, Copyrights and Trade-marks

PATENTS.--Enemy patents in which the Office has interests may be divided roughly into three groups: (1) patents directly held by the Office which were not licensed prior to the war to Americans or nonenemy foreign nationals, (2) patents directly held by the Office which were so licensed, and (3) patents held by enterprises in which enemy interests were vested in the Custodian.

Patents in the first group (except a few in which American or nonenemy foreign nationals have claimed interests) are licensed by the Office to all American applicants on a nonexclusive royalty-free basis. A patent accord drafted in London in July 1946 by twelve allied nations would also permit royalty-free licensing of German patents to nationals of other parties to the accord. Reciprocal benefits would accrue to American nationals. This accord will become operative upon signature by seven governments; several countries, including the United States, are now signatories.

The Office has recognized licenses and other rights which Americans and other nonenemies acquired under enemy patents through lawful contracts entered into prior to the war. Many patent contracts, however, are believed to contain provisions illegal under the antitrust laws. Particular consideration is being given to means of abrogating such contracts by legal action or voluntary negotiation. It is hoped that in this way not merely the present users of patents will be freed of unlawful or undesirable restrictions but also that the patents can be made available to the whole economy by general licensing.

The President has approved a recommendation of the Executive Committee on Economic Foreign Policy to make as freely available to American industry as circumstances permit the patents of

enterprises in which interests have been vested. This recommendation calls for the opening up for royalty-free licensing of all patents held by companies in which the Custodian holds all of the outstanding stock. Where minority stockholders are involved it proposes that, where possible, the minority interests be purchased to permit royalty-free licensing. If this is not possible, the Government's interest should be utilized to cause the company to adopt a policy of nonexclusive unrestricted licensing at reasonable royalty terms. The Office has started to carry out this policy to the extent that existing law permits; additional legislation may have to be sought to effectuate the program.

On the theory that the Government should not sell monopoly privileges, no vested patents have been sold. A draft of legislation to provide for the ultimate disposition of enemy patents directly owned by the Office, through dedication to the public and other means, has been submitted to the Department of Justice.

COPYRIGHTS.--The Office has granted licenses, usually on reasonable royalty terms, for the use of vested enemy copyrights. Special provisions have been made, including partial freedom from royalty, to encourage prompt reproduction of war-useful enemy technical and scientific publications. Copyrights were formerly vested only if they were in demand or royalties were payable but, through a recent vesting order, German copyright interests in the majority of books published abroad during the war years were vested to prevent restrictions upon American access to technical and scientific information of German origin, such as those which arose following World War I. The ultimate disposition of copyrights is a major problem, intensified by the long life of copyright protection.

TRADE-MARKS.--The policy of the Office regarding trade-marks has been to vest and sell to the user those marks legitimately used on products which have been produced in the United States for many years so that the trade-mark has become associated in the public mind with the American producer. With regard to other marks the Office has generally performed only a policing role, stepping in where protection of the public from deception or some other desirable end demanded action. Discussions on trade-mark policy have recently been held with the Department of State, which is interested in the international aspects of trade-mark policy and in the particular problems connected with German exports. Further conferences on these subjects are expected in the near future.

Other Property in the United States

Other property held by the Office consists to a small extent of salable properties, such as securities (other than those

representing substantial percentage interests in business enterprises), real estate, and tangible personal property. Principally, however, it involves nonsalable items such as interests in estates and trusts, insurance policies, bank accounts, and notes, claims, and credits. The expanded vesting program of the Office will result in substantial additional seizures of property in both salable and nonsalable categories, raising the totals for administration to about \$33,000,000 and \$110,000,000, respectively.

Most securities can be readily sold on established exchanges or over-the-counter markets. Other securities, not subject to regular trading, pose special problems. Where holdings in a single issue are large, a short-form prospectus may be employed in the sale.

The sale of real and tangible personal property will require an increasing amount of selling effort. Many unsold properties were once advertised for sale but all bids received for them were inadequate.

The Office has little control over the rate at which interests in estates and trusts are liquidated. It must generally wait for executors and trustees to effect distributions, which may consist of cash or of other property. The thousands of life, remainder, and contingent interests in trusts held by the Office involve long waiting periods before liquidation is possible. Mergers of life and remainder interests, either by existing or new techniques, may merit consideration in several important cases as a means of accelerating liquidations.

The collection of notes, claims, and credits, most of which originated before the war, involves difficulties. A considerable number of items are now in litigation. The more important claims involve 29 enemy ships sabotaged by their crews in the spring of 1941 and later requisitioned by the Maritime Commission. Libels for forfeiture, filed by the United States, have been stayed *pendente bello*. The Office, having vested the enemy claims in the ships, is seeking compensation for their value.

Unique problems are also presented by life insurance policies. While a few policies have been vested, no comprehensive program has as yet been developed.

Philippine Property

Including an estimated \$40,000,000 of property not yet vested, there will be the task of administering about \$50,000,000 of Japanese property in the Philippines, consisting primarily of business enterprises and real property.

Pursuant to Public Law 485 of July 3, 1946, the Office has continued its activities in the Philippines, which were commenced a year ago. Public Law 485 contemplates that ultimately the vested property or proceeds will be turned over to the Philippine Republic. The destruction of property and the interruption of business operations resulting from Japanese occupation have made administration of property in the Philippines difficult and complex. Among the administrative tasks is the rehabilitation of business enterprises, now lying dormant without records or managements and with buildings and equipment wholly or partially destroyed.

Ultimate Disposition of Property and Proceeds

The ultimate disposition of vested property involves first the settlement of claims asserted (a) by American citizens and friendly foreign nationals claiming title to vested assets and (b) by American citizens and residents asserting debt claims against the former owners of the property. The disposal of property remaining after settlement of these claims, and of related suits, has not yet been determined by Congress.

Title Claims

A recent amendment to the Trading with the Enemy Act, Public Law 322, approved March 8, 1946, permits returns of vested property by administrative action to friendly foreign nationals as well as to American nationals, provided they meet certain qualifications. ^{6/} The Custodian was designated by Executive Order No. 9725 of May 16, 1946, as the officer to administer the powers and authority under this amendment. This authority, in accordance with the President's letter to the Custodian of the same date, is to be exercised, with respect to determinations of the national interest, in consultation with other specified agencies. Prior to this clarification of the Custodian's authority, about 1,000 title claims had accumulated. It is expected that some 4,000 additional title claims will be filed by residents of foreign countries. According to present procedures these claims are determined under administrative proceedings within the Office by the Vested Property Claims Committee.

With respect to claims, the time since May 16 has of necessity been devoted primarily to the formulation of basic procedures under Public Law 322, including methods of consultation with and certification by friendly foreign governments with respect to the citizenship and hostility or nonhostility of foreign national claimants.

^{6/} The categories of eligible persons were somewhat broadened by Public Law 671 of August 8, 1946.

Debt Claims

The Custodian is authorized by another recent amendment to the Trading with the Enemy Act, Public Law 671, approved August 8, 1946, to allow valid debt claims filed by resident creditors against the former owners of vested property. To date some 4,500 debt claims have been filed, most of which were received prior to passage of legislation authorizing the Office to consider them. Additional claims are expected as a result both of the enactment of Public Law 671 and of the seizure of additional property by the Office. The processing of these claims, for which procedures are now being developed, is among the major tasks ahead.

Suits under the Trading with the Enemy Act

In addition to filing claims, several title claimants have brought suits for a return of property in the District Courts of the United States under Section 9(a) of the Trading with the Enemy Act. Several of these suits involve some of the most valuable properties held by the Office. As title claims are processed administratively, it may be expected that denials will give rise to new suits. An important issue, as yet not finally resolved by the courts, is whether a foreign national may obtain relief in a Section 9(a) suit. As previously mentioned, the Office has supported legislation to modify Section 9(a) with respect to suits brought by foreign nationals.

Under Section 34 of the Trading with the Enemy Act, as amended by Public Law 671, a debt claimant, dissatisfied with the Custodian's determination of his claim, is afforded a right to review in the District Court of the United States for the District of Columbia. It is impossible to predict the amount of litigation that will result from this provision.

Ultimate Disposition of Property Not Returnable

After all title and debt claims and suits against the Office allowable under present law are settled, and after all direct and administrative expenses have been paid, there should remain in the hands of the Government a considerable proportion, probably by far the greater share, of vested property. Even before such settlements are made it may be discerned that numerous assets are entirely free of any claims or suits.

The disposition of remaining property is naturally a matter for Congress to determine. It is to be expected, however, that the executive branch of the Government will continue to study the problem and will make specific proposals to Congress.

The Office of Alien Property Custodian has considered it premature to advance comprehensive proposals before the terms of peace are known and other related problems resolved. The Office has, however, taken the position that hostile German and Japanese nationals should not receive a return of their property nor be compensated for it by the United States. Regarding property of nationals of Italy, Hungary, Roumania, and Bulgaria, the Office has considered that the question of return should be determined by the terms and spirit of the peace treaties with those nations. With these views the Department of State and the Department of the Treasury are in accord.

The Office has recently opposed a bill introduced in Congress which provided that all vested property be sold, that the proceeds be used to pay war damage claims of American nationals arising from losses or injuries sustained through acts of enemy countries, and that the enemy governments compensate their nationals for the seized property. ^{7/} The bill was opposed by the Office on several grounds: (1) that it was contrary to the national interest to sell vested patents and certain other property, (2) that creditors of the particular enemy nationals whose property has been vested should have priority over general war damage claimants, and (3) that vested property would be sufficient to cover only a small proportion of war damage claims.

The Office stated, however, that it was not opposed to arrangements which would require Germany and Japan to compensate their nationals for property vested by the United States. With respect to Italy and the satellite countries it was pointed out that an incongruous situation would result from the fact that only a portion of the property of their nationals has been vested.

Various other proposals for the ultimate disposition of vested property have been advanced by different parties from time to time.

^{7/} S. 1322, 79th Congress, 1st Session. Hearings were held before the Committee on the Judiciary on April 17, 1946.

PART TWO

REPORTS OF THE DIVISIONS

The following chapters describe the nature of the work of the various divisions of the Office of Alien Property Custodian and the problems with which they are at present concerned.

The chapters are based on reports submitted by the chiefs of the divisions and are arranged as nearly as possible according to the flow of work within the Office.

An organization chart of the Office of Alien Property Custodian as of September 30, 1946, is shown on the following page.

CUSTODIAN
 Responsible for exercise of all powers and performance of all duties under the Trading with the Enemy Act delegated to the Alien Property Custodian.

EXECUTIVE COMMITTEE
 Serves in an advisory capacity to the Custodian in determination of policies and administrative actions.

VESTED PROPERTY CLAIMS COMMITTEE
 Conducts hearings and examines evidence on claims filed with the Office and determines, subject to review by the Custodian, their appropriate disposition.

OFFICE OF THE EXECUTIVE OFFICER
 Responsible for budgetary control, administrative planning, and coordination of activities of service divisions.

DIVISION OF PERSONNEL
 Responsible for recruitment, classification, and related personnel activities; maintains personnel records; administers personnel laws and regulations.

DIVISION OF ADMINISTRATIVE SERVICES
 Provides procurement, messenger, duplicating, and other administrative services; maintains files and records.

MANAGERS, FIELD OFFICES
 Manager of the Territorial and Insular Offices responsible for immediate direction of all activities in Hawaii and the Philippines; Managers of New York and San Francisco offices responsible for coordinating activities of divisions in their offices.

OFFICE OF THE SECRETARY
 Provides liaison with other government agencies; handles general correspondence of the Office; reviews and processes formal orders and documents; acts as Secretary to Executive Committee; coordinates policies and practices of the Office.

OFFICE OF THE GENERAL COUNSEL
 Renders opinions concerning authority of the Office and legal aspects of proposed policies and actions; handles legislative matters; cooperates with Department of Justice on litigation involving the Office; prepares or reviews orders and other legal documents.

DIVISION OF RESEARCH AND STATISTICS
 Conducts research to evaluate effectiveness of programs and assist in policy formulation; assembles statistical data on controlled properties; prepares annual and other official reports.

CONTROLLER'S DIVISION
 Maintains all accounting records pertaining to vested property and administrative expenses and prepares financial reports; reviews financial data on vested and supervised business enterprises.

DIVISION OF INVESTIGATION
 Responsible for identification and establishment of proof of ownership of all enemy-owned assets except patents, copyrights, trade-marks, estates, and insurance policies.

DIVISION OF BUSINESS MANAGEMENT AND CONTROL
 Supervises operation of business enterprises continuing as going concerns and conducts sales of the vested interests; controls policies and activities of field offices in Hawaii and the Philippines Islands.

DIVISION OF REAL ESTATE AND LIQUIDATION
 Supervises liquidation of enterprises not continued as going concerns; manages and sells real estate, mortgages, and tangible personal property.

PROPERTY DIVISION
 Represents enemy nationals in court proceedings; investigates enemy ownership of property involved in such proceedings, especially estates and trusts; investigates insurance policies; obtains possession of vested properties; handles cash transactions; administers all property not assigned to other divisions.

DIVISION OF PATENT ADMINISTRATION
 Administers programs relating to patents, copyrights, and trade-marks, including investigation of enemy ownership, licensing, patent prosecution, royalty collection, and contract renegotiation.

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III

DIVISION OF INVESTIGATION

The primary function of the Division of Investigation is to locate and establish proof of ownership of most types of enemy property in the United States. 1/ It recommends action to be taken by the Office with respect to such property and prepares the applicable vesting orders. In addition, the Division conducts post-vesting investigations in connection with title and debt claims filed with the Office, litigation against the Custodian, and the sale or liquidation of vested property.

The Division of Investigation maintains offices in Washington, New York, and San Francisco. In addition, the Division is responsible for the operations of the Custodian's Berlin Office. This Office is engaged in conducting investigations in Germany to find evidence of German ownership or control of properties in the United States which have not been vested and in conducting similar investigations on vested properties which are not in litigation but on which further evidence is needed. 2/ Investigators in the Manila and Honolulu offices are assigned to these offices; however, the Division of Investigation reviews their reports and, where appropriate, recommends vesting action.

Investigations of Unvested PropertyScope of Investigations

The value of unvested German and Japanese property of those types assigned to the Division for investigation and now known to be definitely vestible is estimated at about \$64,000,000 for the United States and \$40,000,000 for the Philippine Islands. Further investigations may establish the vestibility of \$40,000,000 worth of additional property consisting of stock and other interests in business enterprises. Most enterprises still under investigation involve problems of suspected concealment of enemy

1/ The only types of property on which domestic investigations are not handled by the Division of Investigation are patents, copyrights, and trade-marks, investigated by the Division of Patent Administration; and estates, trusts, miscellaneous property under judicial supervision, and life insurance policies, handled by the Property Division.

2/ The Department of Justice has maintained a separate mission in Germany to conduct investigations with respect to vested property which is actually in litigation.

ownership. In other instances, where the enemy interest is held through firms located in nonenemy countries, determination on vesting action may depend on the resolution of inter-custodial conflicts.

(The scope of investigations will be still further augmented if decisions are made to vest property of additional classes of nationals. It is not unlikely that a program will be instituted to vest property belonging to Germans and Japanese residing in allied and neutral countries who have supported the enemy cause. Political considerations may also dictate the vesting of all property in the United States of nationals of Italy, Hungary, Roumania, and Bulgaria, and persons last known to be resident in such areas as the Sudetenland and Danzig.

Necessity of Early Completion of Vesting Program

During the past year the Division's staff has been substantially increased in order to investigate the large number of properties not yet vested. The vesting program is being pressed in order to hasten completion of the work of the agency as a whole. Prompt action is also considered desirable to bring the vesting program as nearly to completion as possible before private trade with Germany and Japan is restored and before the blocking program of the Treasury Department's Foreign Funds Control is terminated. Furthermore, there is the possibility that the vesting power may cease on the conclusion of peace treaties with Germany and Japan.

Business Enterprises

Business enterprises are the most complicated type of property on which to investigate enemy ownership or control. The cases still awaiting completion generally involve a search for evidence that the nominal or alleged owner is acting for ("cloaking" for) an enemy. In each case a painstaking analysis is required of a series of transactions, the intent of which is believed to have been to conceal enemy ownership or control. Such investigations require a thorough examination of the files and records of the domestic enterprise for documentary evidence, the interrogation of its officers and other informed persons, and the writing of a full investigation report. If substantial proof of enemy or nonenemy ownership has not been found in the United States, similar investigation must be made at the offices of the suspected owner in Germany or in the European country in which the suspected cloak is resident. 3/

3/ Foreign investigations are described in a subsequent section of this chapter.

There remain on the Division's docket approximately 60 cases of business enterprises in the United States in which there is evidence to justify strong suspicion of substantial stock ownership or control by enemies. Forty of these cases have been investigated within the United States without finding conclusive proof of enemy ownership and are now assigned to the Berlin Office for further investigation.

Personal Property

The program for locating and vesting enemy interests in personal property, including bank deposits, securities, notes, claims, credits, and safe deposit boxes, is based largely upon the processing of reports which the public is required to file on Form APC-56 pursuant to the Custodian's General Order No. 34. Under this Order, any person in the United States who has custody, control, or possession of any property in which a national of Germany or Japan had an interest on or subsequent to December 31, 1945, is required to file a report. Processing of these reports involves comparison with other files of this agency and of Foreign Funds Control of the Treasury Department, inquiries by mail to the reporter or other informed persons, and, less frequently, field investigations. Where the APC-56 report is found essentially complete and accurate, a vesting order is prepared and the vesting is effected by simplified procedure. Where a substantial investigation has been necessary to establish ownership, for example in cloaking cases, a separate report is prepared for presentation to the Executive Committee.

As of October 1, 1946, approximately 12,000 reports have been filed on Form APC-56, Series A, C, D, E, and F, which cover the types of personal property named above. Approximately 1,700 of these reports have been processed and vesting orders prepared, and 4,100 have been set aside, temporarily at least, as covering property not vestible under the Office's present policies. Thus there remain to be investigated 6,200 cases arising from reports which have already been filed; in addition it is expected that another 2,500 or more cases will be docketed by June 30, 1947, either through the voluntary filing of APC-56 reports or as a result of the Division's program (described below) for unearthing property not reported.

Real Property

While the Custodian has had authority since the establishment of the Office to vest real property, including mortgages and oil and mineral rights, it was decided in 1943, as a means of conserving manpower, to confine such vestings to properties needed in the war effort or properties of relatively

high value. Largely as a result of this decision, there remain for investigation 350 real property cases with an approximate average value of \$4,000. Investigations of real property are time consuming, involving title searches, complex questions of local law, and property appraisals, as well as the determination of ownership. Investigations of property outside of the New York and Washington areas involve principally correspondence with local governmental authorities and with private persons such as agents and attorneys. Title examinations and property inspections are made by the Retail Credit Company at a contracted fee.

Undisclosed Property

In addition to investigating and vesting personal property and real estate covered by reports filed voluntarily on APC-56 forms, the Division has inaugurated a "mopping-up" program for uncovering German and Japanese assets which have not been reported to the Office because the persons who should have reported were either ignorant of the reporting requirements, unaware of enemy interests in the property, or desirous of concealing the facts.

As a first step in this program, the Division is checking all important sources of information in the United States. These include: (1) 1,300 of the investigation reports prepared by the Division before the agency had authority to vest bank accounts and securities, (2) 16,000 TFR-300 reports on German and Japanese property submitted to the Treasury Department in a census of foreign property in 1941, (3) 10,000 MGAX-1 reports filed by residents of Germany with the Military Governments there on external assets in the United States, and a similar number filed in Japan, (4) lists of 15,000 repatriates and deportees and related property lists, (5) censorship intercepts obtained from the Military Government in Germany at the rate of 50 per week, and (6) letters from the public and newspaper items.

Secondly, properties in the United States held in the names of individuals, banks, and companies resident in Holland, Switzerland, Sweden, and other countries frequently used by the Germans for cloaking operations are being investigated to ascertain whether any interests in them are beneficially owned by enemies. This work involves initially examination of Safehaven reports, wartime intelligence, and other information in the files of the Treasury, War and State Departments. The names of foreign individuals and enterprises which, from the material examined, appear to have been acting for or controlled by Germans are recorded on a Suspect List. A check is then made to determine whether persons or firms on the Suspect List were reported in the 1941 Treasury census of foreign property as owners of assets in the United States. Complete investigations will then be made to determine whether there are enemy interests in such assets.

Hawaiian and Philippine Cases

The investigation of enemy interests in property in the Philippine and Hawaiian Islands is undertaken by the overseas offices of this agency on their own initiative, but the investigation reports they prepare are reviewed by the Division of Investigation in Washington. The purposes of this review are to determine the adequacy of the evidence obtained, to recommend the action to be taken by the Custodian, and to prepare the vesting orders. In Hawaii only a few business enterprises remain to be investigated, but there are approximately 800 APC-56 reports, covering all types of vestible real and personal property, which require processing. There remain for investigation approximately 1,500 cases in the Philippines, of which an estimated 1,000 will require review in Washington.

Post-Vesting Investigations

The Division is required to conduct an increasing number of post-vesting investigations. Many of these investigations are required because of the filing of title and debt claims with the Office and the initiation of suits against the Custodian. Other investigations are required in connection with sales and liquidations of vested properties.

Title Claims

An increasing number of title claims will be received by the Office as a result of Public Law 322, dated March 8, 1946, which permits the Custodian to return property to nonhostile foreign nationals.

Title claims filed with the Office are of two kinds: (1) "uncontested", where the Office does not question the claimant's ownership and "nonenemy" status, and (2) "contested", where the Office disputes the claimant's allegation of a title interest or of "nonenemy" status. It is presently planned that the Division of Investigation will make the initial examination of all title claims except those involving patents, trade-marks, and copyrights. The Division will recommend to the General Counsel whether claims should be contested on the basis of an examination of the agency's files, consultation with other Government agencies, and certifications received from foreign governments on the status of claimants. If it appears that the claim should be contested, the Division will undertake a complete investigation within the United States and possibly abroad to marshal evidence to substantiate the position that the claimant is not the true owner or should be regarded as an enemy.

Debt Claims

As a result of Public Law 671, dated August 8, 1946, the Custodian may now pay out of vested property the debt claims of certain classes of persons against the former enemy owner of the property. Questions will arise as to the amount and validity of a debt and as to the ownership by the alleged enemy debtor of the property vested in his name. Such questions will probably be referred to this Division for investigation.

Prospective and Pending Litigation

The Division has cooperated closely with the Alien Property Section of the Department of Justice by conducting investigations required in the defense of suits against the Custodian. In addition, the Division makes re-investigations, usually in Germany, of important vested cases, especially such business enterprises as General Aniline & Film Corporation, where litigation is expected but has not yet been instituted.

Sales and Liquidation

The Division also makes investigations immediately prior to the sale of vested property or the distribution by vested enterprises of the proceeds of liquidation. Pre-sale investigations of vested enterprises are made to insure that all enemy interests have been eliminated and that all testimony and documentary evidence on ownership or control has been obtained from the firm and those associated with it. The Division also conducts investigations to determine whether prospective purchasers are qualified to purchase vested property. Before the distribution of assets of vested companies in liquidation a final check must be made to insure that distributees whose holdings are not vested are the beneficial owners of their interests.

Foreign Investigations

Early in April 1946 the Division of Investigation established a staff in Berlin, Germany. This staff is formally attached to the Office of Military Government for Germany (U. S.) as the Alien Property Custodian Section of the External Assets Branch of the Finance Division, but carries on its activities autonomously on the basis of instructions received from the Washington Office. The high degree of cooperation which has developed between the Alien Property Custodian Section and other sections of the External Assets Branch engaged in similar work has been of great value in finding and utilizing evidence of German ownership of property in the United States. The staff is now limited by OMGUS to ten, composed of six attorneys and investigators, two translators, and two

stenographers. German civilians have been assigned to the Section by the Finance Division for typing and translating. Currently, the Office is requesting the War Department to authorize an increase in the personnel ceiling to twenty.

Depending on the type of case, investigations in Germany involve finding and examining files and financial records of the German person or firm suspected of being the owner of property in the United States, locating and interrogating company officials and other persons who may be informed on the case, and searching the files of bureaus of the German Government, churches, and local governments. Emphasis is placed upon obtaining documentary evidence in such form that it will be admissible in American courts; wherever possible, signed statements are obtained from German witnesses.

Investigations with respect to unvested property are necessary when evidence available in the United States does not permit final determination of the beneficial ownership of the property. With respect to vested properties, particularly patents and business enterprises, they are required to obtain additional evidence for use in prospective litigation, particularly where the nominal owner of the property is not a resident of Germany and is believed to be a cloak. Such investigations are made prior to the filing of a suit in order to take advantage of the present availability of witnesses and documents in anticipation of future freedom of communication between the suspected German owner and the probable plaintiff against the Custodian.

The Berlin Office of the Division conducts investigations for the Division of Patent Administration and for the Estates and Trusts Section of the Property Division. Investigations with respect to estates and trusts are made to determine whether a legatee or beneficiary is alive or dead and to obtain information about his heirs, relatives, and family genealogy.

In addition, the foreign staff of the Division procures all information regarding enemy assets in the United States which comes to its attention through the work of the Military Governments of the four occupying powers. This information includes censorship intercepts, MGAX-1 reports, and analyses of leads found in German Government records.

It is estimated that the following investigations on property in the United States will have to be made in Germany:

<u>Type of property</u>	<u>Number of investigations</u>
Unvested business enterprises ...	40
Unvested real and personal property	100
Prospective litigation, chiefly business enterprises	50
Estates and trusts	400
Patents	<u>35</u>
Total	625

As yet the Office has no personnel in Japan or in nonenemy European countries. The need for at least one investigator in Japan is daily becoming more evident. There is also a substantial amount of investigative work that could best be done in Switzerland and the Netherlands by an experienced representative of the Division.

IV

DIVISION OF REAL ESTATE AND LIQUIDATION

The Division of Real Estate and Liquidation is assigned the responsibility of supervising the liquidation of vested business enterprises not continued in operation as going concerns, and the additional responsibility of managing and selling real estate, mortgages, and tangible personal property. It operates through two sections: a Real Estate Section located in Washington and a Liquidation Section located in New York.

Real Estate SectionActivities

The Real Estate Section is responsible for the management and sale of all vested real properties and for the servicing and sale of all vested mortgages. In addition, it supervises and liquidates vested real estate holding companies.

Immediately after a case is assigned to the Section, certified copies of the vesting order are served on all interested parties and recorded in the county where the property is located. A managing agent is appointed to collect rents, obtain statements of unpaid taxes, and keep all insurance policies in force. A fee appraisal is ordered to determine the value of the properties which are to be offered for immediate sale. Notices of sale are prepared for publication in newspapers having a general circulation in the area where the property is located. After bids are opened and analyzed, a recommendation is made to the Custodian regarding the acceptability of the best offer received.

The administration of real estate which cannot be disposed of by immediate sale requires close supervision to insure that maximum income is received, that property is maintained so as to protect it from excessive deterioration, that taxes are paid as they become due, and, in the case of improved properties, that adequate insurance is maintained in force. The activities with respect to taxes and insurance are added functions arising from Public Law 671 of August 8, 1946.

The servicing of mortgages that cannot be disposed of by immediate sale requires close supervision to insure that interest and principal payments are received in accordance with the contract, that taxes are paid currently by the mortgagor, and that the mortgaged property is covered by insurance in an amount sufficient to pay the obligation in the event of loss or damage to the property. Where mortgage payments are not maintained by the obligor in accordance with the contract, foreclosure is recommended and request made that a receiver be appointed.

When a realty enterprise is vested, a complete study is made of the business with particular attention to an evaluation of existing management and financial policies. Corrective actions are instituted if necessary and recommendations are made in connection with matters requiring decision on policy or procedure. It is often desirable to name as members of the Board of Directors of realty companies employees of the Real Estate Section who have been assigned to supervise them. Action is also taken to obtain from each business adequate periodic reports to keep the Custodian fully informed of its activities.

Status of Assignments as of September 1, 1946

As of September 1, 1946, 1,481 properties had been assigned to the Real Estate Section, of which 730 properties had been sold or otherwise liquidated, leaving a total of 751 properties to be administered by the Section. These 751 unsold properties are classified as to their status on Table 1.

Of the 751 properties shown in Table 1, only 407, consisting of properties in the first six groups, are salable at this time. The 54 items in group (1) have already been advertised for sale, but insufficient offers for them were received. Over half the remaining salable cases are now being processed for sale.

The 344 cases considered not salable at present consist of properties shown on the table in groups (7) to (12). With respect to the parcels located in California, classified in group (9), it is expected that sales will be accelerated during the next few months. One of the major title companies in California has recently indicated a willingness to insure titles to properties conveyed by the Custodian. The final outcome of several sales now in process should determine what may be expected in future sales in that state.

During the eight-month period ending August 31, 1946, new properties were assigned to the Section at the rate of approximately 50 parcels per month, and it is estimated that new assignments during the twenty-two months period ending June 30, 1948, will average approximately 45 per month. These new cases will arise mainly through new vestings but also through distribution of properties to the Custodian from estates and trusts in which interests have been vested.

Table 1.--Status of Properties Assigned to the Real Estate Section on September 1, 1946

Status	Total	Number of Properties				
		Real Estate			Mis-	Mort-
		Im- proved	Unim- proved	Farm	cel- lane- ous 1/	
Total	751	346	132	22	39	212
<u>Salable Properties:</u>						
1. Advertised, insufficient offers received.	54	11	28	1	2	12
2. In process, advertisements released to agents	10	10	-	-	-	-
3. In process, advertisements not released to agents, United States (except California, Hawaiian, and Italian cases)	166	143	19	-	4	-
4. Advertisements approved on California cases	9	6	1	1	1	-
5. Hawaiian cases	27	7	8	-	10	2
6. Other salable mortgages	141	-	-	-	-	141
<u>Properties Withheld from Sale:</u>						
7. Mortgage participation certificates (almost completely liquidated)	25	-	-	-	-	25
8. Mortgage foreclosures requested	7	-	-	-	-	7
9. Other California cases (except Italian) 2/ ..	141	63	42	15	17	4
10. Italian properties 3/ ..	107	70	17	1	1	18
11. Not to be sold, except Italian cases 4/	21	16	3	1	1	-
12. Legal and title defects 5/	43	20	14	3	3	3

1/ Principally tangible personal property connected with vested real estate.

2/ Unsalable heretofore because of refusals by California title companies to insure the Custodian's titles.

3/ Withheld from sale at request of the Department of State.

4/ Withheld from sale because of possible eligibility of former owners for a return, or for other policy reasons.

5/ Cases involving Section 9(a) suits, defective vestings, etc.

Liquidation Section

Functions and Organization

The major function of the Liquidation Section is to carry out the liquidation and final dissolution of vested business enterprises which, for economic or other reasons, are not maintained as going concerns. In addition it is charged with the administration and sale of tangible personal property. The Liquidation Section has its main office in New York and a subsidiary office in San Francisco. New York is the legal office of most vested domestic corporations in liquidation; the legal offices of a sizable number are on the West Coast.

Classes of Property Handled by the Section

The vested property presently referred to the Section falls into three main classes:

1. Vested stock interests in domestic corporations, ranging up to 100% of the outstanding stock.
2. Unincorporated enterprises such as proprietorships, partnerships, and domestic branches of enemy corporations.
3. Tangible personal property in the United States formerly owned by individual enemy nationals, including personal property in estates and trusts vested by the Custodian and assigned to the Section for liquidation.

The Section is also responsible for the servicing and supervising of certain property not vested, but subject to control under supervisory orders issued by the Custodian.

Liquidation Procedure

The following steps occur in the process of liquidating unincorporated enterprises and tangible personal property; the Section takes possession or control of the property; secures an inventory or appraisal for use in preparing necessary records on the case; searches out and lists all debts against the property as well as miscellaneous assets; prepares the property for sale and effects the sale; collects and converts into cash all receivables, claims, and other assets; turns over the proceeds received in the liquidation to the Property Division; and prepares a closing report.

In liquidating corporate vestings, the Section must follow a more complex procedure: it arranges for the cancellation of the stock certificates representing the vested shares and for the issuance of new certificates in the Custodian's name; secures the re-staffing of the corporate management with personnel of the Section; reviews the corporate structure, making any alterations required to facilitate the conduct of both the corporate business and the liquidation process; inventories and appraises the corporate assets; determines the fiscal and tax status of the corporation; liquidates the physical property through the usual trade channels, through public offerings, or through negotiated offers, whichever method is determined to be to the best interest of the Custodian and likely to yield maximum proceeds; collects and reduces to cash all receivables, claims, and other assets; validates claims against the corporation, and effects settlement thereof; dissolves the corporation, obtaining an appropriate dissolution order of the Custodian; distributes the proceeds of liquidation according to applicable State and Federal laws; and prepares a closing report.

Status of Liquidations

From the time of its establishment to September 1, 1946, the Liquidation Section was assigned a total of 561 cases, of which 526 pertained to vesting orders and 35 to supervisory orders. Of this total, 288 vesting order cases and 22 supervisory order cases had been closed by September 1, 1946, leaving 251 cases still open. These 251 current cases are distributed below according to the nature of the property involved:

Corporations, including supplemental stock vestings	109
Unincorporated business enterprises ...	46
Tangible personal property derived from estates and trusts	8
Other tangible personal property	75
Supervisory order cases	<u>13</u>
Total	251

CORPORATE DISSOLUTIONS.--The 109 corporate cases remaining for disposition on September 1, 1946, are being worked on to effect liquidation and dissolution at the earliest practicable dates. State dissolution statutes do not provide means for the expeditious closing of corporate cases. In order to accelerate the final distribution of assets to the Custodian without personal liability to corporate officers and directors, particularly in the case of 100% stock vestings, the Custodian has issued "dissolution orders" containing directives addressed to the corporate officers and directors. These directives specify the course to be followed

in winding up the corporate affairs and making final distribution of assets. Dissolution orders have been issued in 36 cases up to September 1, 1946.

SALES PROGRAM.--The sales program of the Liquidation Section with respect to tangible property has been substantially concluded. The principal tangible properties now remaining to be sold can be classified in the following two groups:

1. Miscellaneous lots of jewelry, paintings, and household and personal effects contained in 17 estate and trust vestings, having an aggregate value of approximately \$35,000.
2. Various lots of steel material and equipment, including a large billet mill, all heretofore placed on public sale, but with inadequate offers received.

Because of the differing types and locations of the personal property involved, three public offerings may be required to effect their sale.

It is expected that additional property will be referred to the Liquidation Section as a result of new vestings under the APC-56 reporting program and the distribution of tangible properties from estates and trusts in which interests have been vested.

OTHER CURRENT PROBLEMS.--The Liquidation Section is now initiating a program of reviewing unliquidated foreign assets and unsatisfied foreign obligations of the remaining incorporated and unincorporated enterprises. Personnel of the Section are also called upon to prepare memoranda for the Vested Property Claims Committee and the Office of the General Counsel concerning claims asserted against vested enterprises. Finally, as cases are closed the liquidators must determine what records and documents should be retained; this activity will involve considerable work as liquidation in the larger and more involved cases such as Mitsubishi Shoji Kaisha, Ltd., Mitsui & Company, Ltd., Hamburg American Line-North German Lloyd, and Italian Line, is concluded.

V

DIVISION OF BUSINESS MANAGEMENT AND CONTROL

The Division of Business Management and Control is composed of an Operations and Prospectus Section, a New York Staff, and a Territorial and Insular Section.

The Operations and Prospectus Section administers certain classes of vested business enterprises, particularly going concerns, and effects the sale of the vested interests. This Section is also responsible for the administration of property of all types against which suits have been instituted under Section 9 of the Trading with the Enemy Act, as amended.

The New York staff, subject to review by the Operations and Prospectus Section, directly supervises business enterprises controlled by the Custodian which, because of location or other reasons, require immediate supervision from New York. In addition, the New York staff sells miscellaneous stocks and bonds held by the Office.

The Territorial and Insular Section performs duties relating to the activities of the Hawaiian and Philippine Offices. The activities of this Section are discussed in the next chapter in connection with the two overseas offices.

Business Enterprises

The Division had under its control, as of October 1, 1946, a total of 77 business enterprises. These enterprises consist largely of going concerns and partly of companies whose liquidation presents special management problems.

Administration

The aims of the Office in continuing vested business enterprises as going concerns are to free them completely from ties of enemy control, to secure the maximum efficiency of operation, and to prepare them for sale to American private interests.

When the Custodian has vested a controlling interest in a corporation operated as a going concern, he has usually nominated one or more directors, depending on the extent of the interest vested and the suitability of the incumbent directors. To free the corporation from enemy connections it has sometimes been necessary to elect an entire new board of directors and appoint a new management.

The Division issues licenses authorizing the corporation to perform transactions necessary to the normal conduct of business. Company budgets must receive prior authorization, and unusual transactions such as sales to foreign purchasers, the disposal of a substantial part of the company's assets, and the issuance of additional capital stock must also be approved in advance.

Periodic reports by independent auditors and interim reports from the management are required by the Division of each company.

Disposition

The Office of Alien Property Custodian has pursued a policy of disposing of all enterprises under its control as rapidly as possible. Nevertheless, no offers for sale of business enterprises are now outstanding and only a few companies will be ready for sale this fall. Enterprises remaining to be disposed of may be grouped in one or more of the following six classes.

1. ENTERPRISES INVOLVED IN SECTION 9 SUITS.--Suits under Section 9 of the Trading with the Enemy Act, as amended, have been instituted by persons seeking the return of the vested interests in 25 business enterprises. Pending the outcome of this litigation or the entry of stipulations permitting sale or liquidation, these enterprises can neither be sold nor liquidated. In eight other enterprise cases any action taken toward sale or liquidation would result in the immediate institution of Section 9 suits. An example of such threatened litigation relates to the claim filed in 1943 by I. G. Chemie of Switzerland for the return of approximately 2,500,000 shares of stock of General Aniline and Film Corporation. Attorneys of I. G. Chemie have informed the Office that if any attempt is made to sell this stock, a Section 9 suit will be filed.

2. ENTERPRISES FORMERLY OWNED BY ITALIANS OR NON-ENEMIES.--Pursuant to a request of the Department of State, 15 enterprises vested from nationals of Italy, Luxemburg, and Austria are being administered without any action toward sale or liquidation. Ultimate disposition of the Italian companies depends largely upon the treatment that will be accorded Italy in the treaty of peace. The nationals of Luxemburg and Austria are presumably now entitled to a return of their property under Public Law 322.

3. ENTERPRISES NEARLY LIQUIDATED.--Ten enterprises which were controlled by this Division because of special management problems have been substantially liquidated through corporate action. It is expected that their affairs may be wound up in the near future.

4. ENTERPRISES INVOLVING PROBLEMS OF PATENT POLICY.--

Before certain concerns can be sold or liquidated their patent policy must be revised to conform to the program adopted by the Executive Committee on Economic Foreign Policy and approved by the President, which required that technologies covered by patents of corporations owned or controlled by the Government be made available to the public. Possibly three enterprises can be sold as soon as this is accomplished. The largest of these is American Bosch Corporation, which has been requested to adopt a policy of licensing all its patents on a nonexclusive reasonable royalty basis to all comers. Another of these companies is J. M. Lehman Co., on which a prospectus has already been prepared.

5. ENTERPRISES HAVING PROPERTIES IN FOREIGN COUNTRIES.--

The assets of several vested firms consist almost entirely of properties located in foreign countries, or securities of foreign corporations, which can be neither appraised nor sold at this time. Hugo Stinnes Corporation, a holding company whose principal underlying assets are German subsidiaries engaged in coal mining, is the principal enterprise of this class.

6. ENTERPRISES PRESENTING OTHER PROBLEMS.--

In the case of other concerns still being operated by the Custodian various investigatory, legal, and business problems exist which must be solved before an offering is made or a liquidation effected. An example is Thorer and Hollender, Inc., a new investigation of which has just been completed with the result that previously vested preferred stock is to be converted into common stock.

Other Properties

Miscellaneous Properties Involved in Section 9 Proceedings

In addition to the Section 9 suits referred to above on business enterprises, 25 other such suits have been brought for the return of real estate and miscellaneous properties and of the proceeds from the sale or liquidation of property.

In all cases where property would be sold or liquidated except for the institution of such proceedings, attempts are made to obtain stipulations permitting sale or liquidation, whichever may be the more desirable.

While, of course, no accurate estimate can be made as to the number of Section 9 suits to be filed, it is to be expected that as the activities of the Vested Property Claims Committee are accelerated through the new claims procedure, denials of claims by the Committee will result in numerous suits.

Sale of Loose Securities

The New York staff of the Division effects the sale of loose securities (i.e., those not representing substantial interests in business enterprises) directly vested by the Custodian or acquired from distributions of assets by business enterprises and estates and trusts in which interests have been vested. There were 201 such sales, realizing proceeds of \$609,000 during the fiscal year ending June 30, 1946. It is estimated that there will be 1600 similar transactions during the present fiscal year, and 1900 transactions in the following year, with proportionate increases in dollar value realized.

Most of the sales made to date have been effected on established securities exchanges and over-the-counter markets. No regular market exists for many of the securities not yet sold. These securities are largely issues of companies not known to the investment public and range in value from a few dollars to around \$100,000. It will be difficult to attract interest in these issues and to judge the adequacy of bids.

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VII

DIVISION OF PATENT ADMINISTRATION

The primary objective of the Division of Patent Administration is set forth in a directive from President Roosevelt to the Alien Property Custodian when the Office was established. This directive was: "to seize all patents controlled by the enemy, regardless of nominal ownership, and to make these patents freely available to American industry, first for war purposes of the United Nations, and second for general use in the national interests."

In addition to patents and interests in patent agreements, the Division deals with other types of industrial property, particularly copyrights and trade-marks. The Division also supervises certain vested corporations primarily engaged in the exploitation of patents, copyrights, and trade-marks.

During the period of hostilities the policy of the Office was to vest industrial property of nationals of both enemy and enemy-occupied countries. The vesting of nonenemy industrial property was discontinued in September 1944 in anticipation of early cessation of hostilities in Europe. The vesting of Italian industrial property was discontinued about the same time.

PatentsInvestigation

Approximately 46,000 patents and patent applications and over 1,000 interests in contracts relating to patents are now vested in the Custodian.

While most patents and patent interests were presumably vested on the basis of investigations carried out in the United States during the war, interviews with persons and examination of documents in Europe are necessary to insure that all valuable industrial property of enemy nationals is vested. As early as 1935, the Germans began a course of cloaking operations designed to conceal their interests in United States patents. It is believed that evidence available in Europe will enable much of this property to be identified.

Recommendations for vesting of patents, patent applications, and interests in patent contracts originate in the Foreign Interest Analysis Section of this Division.

Licensing

It has been the constant objective of the Office of Alien Property Custodian to bring into use by industry as quickly as possible the inventions and processes covered by vested patents and patent applications. The purposes have been to give all possible aid in prosecuting the war, to assist in building up our national productive capacity, and to facilitate the fullest use of modern techniques in the post-war economy.

To this end, a nonexclusive, royalty-free licensing policy was adopted for enemy patents and patent applications not encumbered by American or nonenemy interests. Licenses on these patents are granted on application to the Licensing Section of the Division; they are available to large and small companies and to individuals alike on the payment of an administrative fee of \$15 per patent. Licenses have also been granted on patents vested from enemy-occupied nationals, but reasonable royalties have been charged.

To date 2,006 licenses have been issued under 11,208 patents and patent applications. Analyses of reports received from licensees indicate that research and actual production under the patents have been substantial. While larger firms were more readily inclined to take patent licenses during the war years, current statistics show that the proportion of small business licensees is steadily increasing. Some of these small businesses were established by returning servicemen, who are able to review the vested patents for the first time.

LONDON PATENT ACCORD.--Thus far the licensing of vested patents has been confined to American residents. At a recent twelve-nation conference in London, an accord was reached whereby formerly German-owned patents will be made available to nationals of all signatory governments on a uniform basis providing either for royalty-free licensing or dedication to the public. The accord is open to any member of the United Nations and to any neutral government. It will become effective upon signature by seven governments; the United States and several other countries are already signatories. This Division will be charged with supplying information to other participating governments and with licensing to their nationals German-owned patents vested by the United States.

Use and Development

The first step in encouraging industry to secure licenses and to use vested patents was to supply American manufacturers as widely and rapidly as possible, and in the most convenient form, with complete and accurate information about the Custodian's patent holdings.

Cooperation of technicians from American industry and of scientists and research workers generally was obtained to assist in acquainting potential users with the great amount of technical information contained in the vested patents and patent applications and to stimulate interest in their use. Catalogues of all vested patents and abstracts of those in the chemical, electrical, and mechanical fields were prepared and circulated in information booths, banks, and libraries throughout the country. Copies are also available for purchase by the public.

Special emphasis has been placed on rendering technical aid to small industries and sub-contractors and, since the termination of hostilities, to veterans.

The Patent Use and Development Section is responsible for the dissemination of technical information. Recently its field activities have been curtailed, but the Section continues to function from the Washington Office.

Prosecution of Pending Patent Applications

Vested pending patent applications are prosecuted before the Patent Office by the Patent Prosecution Section. Prosecution is considered the best means of bringing enemy inventions to immediate and effective use in American industry, and of protecting the rights of non-enemy nationals to whom many properties will be returned. Moreover, the interests of American citizens having contractual rights in vested applications are protected.

As of September 1, 1946, a total of 4,768 patent applications have been vested. Of these, 2,892 have issued as patents, the greater number of which are free for licensing under the Custodian's general licensing policy. Prosecution has been closed in 1,512 cases on which further work appeared unjustified. Of the 398 applications remaining in the prosecution stage, 144 were vested as enemy property and 254 as property of non-enemy nationals. Alleged bona fide American interests exist in all of the enemy applications still receiving consideration.

Contracts

While a greater number of patents were seized directly, control over a large number was obtained indirectly through vesting the foreign interests in patent contracts, particularly license agreements and assignments.

Enemy interests in contracts involving United States patents have been vested (1) to secure control over the patents and patent rights involved in such contracts, (2) to collect

royalties which might otherwise accumulate to the credit of the enemy, (3) to prevent fortuitous gains to American licensees and assignees, and (4) to correct unlawful or undesirable provisions which impose restraints upon production or trade.

The more than 600 patent agreements in which interests have been vested are being administered by the Patent Contract Section. Many of the agreements, some of which are parts of international cartel arrangements, are believed to contain provisions illegal under the antitrust laws. A number of cases have been referred to the Office of the General Counsel, which in turn has submitted certain cases to the Department of Justice for consideration of probable antitrust violations.

The patent agreements involve a substantial amount of administrative work in correspondence and conferences with the American parties. Royalties must be collected and differences of opinion on interpretation of the contracts worked out. In many cases the American parties desire to renegotiate their contracts, often to clarify their rights to permit them to take full advantage of the revival of international trade. In some instances negotiations are in process for the termination of contracts. Such terminations would free the Office to license the patents involved to all comers on a royalty-free basis.

The Division has never had sufficient staff to complete analyses of all patent agreements under its administration.

Corporate-Owned Patents

POLICY.--Early in the history of the Office, it was hoped that "captive patents", as patents held by vested corporations are commonly termed, could be made generally available by means of nonexclusive royalty-bearing licenses. It soon became evident, however, that the problems relating to these patents were complex.

The main problems were the existence of nonenemy minority and creditor interests in practically all vested companies owning patents, and the filing of claims and initiation of litigation by nonenemies seeking return of vested stock interests. Another consideration which weighed against general licensing of corporate-owned patents was the desirability of extensive research and experiment on a considerable number of undeveloped patents. Such work required expenditure of considerable sums of money, which ordinarily could not be justified except as an investment from which there would be a reasonable prospect of return.

The treatment of captive patents has been considered by the Executive Committee on Economic Foreign Policy, on which this agency, by invitation, and the Departments of State, Treasury, Justice, and Commerce, and several other agencies are represented. In February 1946 a definitive policy on captive patents was established by the President's approval of recommendations of the ECEFP.

This policy may be summarized as follows:

1. Firms wholly-owned by the Custodian.
 - a. Vest all patents owned by such firms and license them on a nonexclusive royalty-free basis; or use other techniques to secure such licensing.
 - b. Cancel any exclusive licenses held by such firms under vested enemy patents and license the patents on a royalty-free nonexclusive basis.
2. Firms in which vested stock interest is less than 100%.
 - a. Vest any patents acquired by such firms through cloaking transactions and license them on a nonexclusive royalty-free basis.
 - b. Utilize vested interests in firms involved in antitrust proceedings to obtain acceptance of consent decrees as a means of assuring licensing of all comers.
 - c. Utilize vested interests, wherever possible, to cause buying up of unvested interests; then follow policy stated in (1) above.
 - d. Where it is not possible to buy up unvested interests, utilize vested interests to cause issuance of nonexclusive licenses on patents owned by such firms to all comers on a reasonable royalty basis; and cancel all exclusive licenses of such firms under vested enemy patents and issue nonexclusive licenses to all comers on a reasonable royalty basis.

The Division of Patent Administration is responsible for the execution of the policy, subject to the legal opinion of the Office of the General Counsel, with respect to patent holding

companies under its supervision. Vested manufacturing companies, which hold the more valuable patent rights, are assigned to the Division of Business Management and Control.

ADMINISTRATION OF PATENT HOLDING COMPANIES.--Because of its familiarity with patent problems the Division administers ten vested patent holding companies, including companies owning exclusive interests in patents or conducting business in relation to patents of which they are not the record owners. Efforts are being made to liquidate those companies in which the Custodian has 100% ownership and to make their patents available for general licensing. A gross annual income of about \$800,000 results from the administration of seventy-seven patent license agreements involved. At this time nine of the companies will license any qualified applicant on reasonable royalty terms under any patents which they own. The tenth company, Kalio, Inc., had granted exclusive licenses before the war to Karl Lieberknecht, Inc., an enterprise in which the Custodian's voting interest is slightly more than 50%.

Returns to Non-hostile Nationals

The enactment of Public Law 322, which permits the Custodian to return property to nonhostile foreign nationals, has created new problems for this Division. It is expected that claims will be filed by nonhostile nationals for the return of 15,000 patents and several million dollars of royalties collected by the Office. The Division will investigate and review all claims relating to patents and related properties and make appropriate recommendations for allowance or disallowance. The Division will also review claims filed under Public Law No. 671 for payment of debts owing to claimants by nationals whose patent properties have been vested.

Copyrights

The Copyright Section of the Division of Patent Administration recommends vesting of copyright interests and administers such interests subsequent to vesting. At present copyright interests in about 500,000 works are held by the Office.

Vesting of copyright interests was originally limited to (1) works subject to contracts entered into before the war which required administration and under which royalties were collectible and (2) works requiring new licenses to meet the demand for their use or reproduction. On March 22, 1946, the Custodian vested all copyright interests of German nationals in books published in Germany from 1939 to 1945 (approximately 100,000 works). The vesting of these copyrights interests will make it possible for

the Government to license reproduction in America of German books otherwise unavailable here. The vesting followed recommendations of a number of American scientific and library groups.

In the administration of copyrights the Office collects royalties due on prewar contracts and grants licenses on works not already licensed. Most of the licenses granted by the Office are nonexclusive and royalty-bearing.

Disposition of enemy copyright interests will require pioneering of new techniques in the copyright field. It is currently proposed that enemy copyright interests relating to technical and scientific works be made available to all persons without charge and that all other copyright interests having commercial value be administered by grant of royalty-bearing licenses, and ultimately sold. Free licensing of technical and scientific works may be considered a logical step in the Government's program for the dissemination of German technology and a parallel of the Office's treatment of vested patents. On the other hand, it is felt that no compelling reasons exist for treating music, novels, and other such works on a nonprofit basis.

Copyright interests vested from nonhostile foreign nationals are returnable under Public Law 322.

Somewhat distinct from the broader copyright program of the Office is the administration of motion picture film. The Office holds not only the copyright interests but also about 10,000,000 feet of actual film. This film is made available without charge to other Government agencies and to organizations such as the United Nations. To a limited extent film is licensed to the motion picture industry on a royalty-bearing basis. The Office has not, however, proceeded on a comprehensive program of licensing vested film because of widespread opposition to the dissemination of material which may contain Nazi propaganda or bias. This opposition must also be considered in arranging for final disposition of the film.

Administration of Trade-marks

The Trade-mark Section recommends the vesting of trade-marks and administers the vested marks. Thus far it has been the policy to vest trade-marks only under specific circumstances and for definite reasons. Under this policy, less than 500 trade-marks have been vested. Of these, 16 were nonenemy marks which may possibly be returned to their former owners under Public Law 322.

A decision on whether or not to vest all German and Japanese trade-marks should be consistent with the economic policy of the United States toward Germany and Japan. It may be desirable to except trade-marks from the general program of eliminating all German and Japanese assets in the United States to the extent that such marks identify products made in Germany and Japan. Such a policy would encourage exports by enemy countries, thus helping them to make reparations payments and discharge other obligations. Representatives of the Department of State, which is responsible for economic policy with respect to enemy countries, have conferred with members of the Office from time to time on trade-marks, but the Department has not taken a definite position.

It will be necessary to continue vesting some trade-marks to prevent misuse and deception of the public. Unauthorized use by American manufacturers of enemy marks associated in the public mind with products made abroad would be deceptive, especially in view of the resumption of imports into this country of German goods under permission of the United States Commercial Corporation.

It may become necessary for the Alien Property Custodian to re-register some enemy marks under the new Lanham Act. This may be especially needed to protect United States firms dealing in the South American markets and using enemy marks registered in the United States under the provisions of Pan-American and other international treaties. It may also be necessary for the Custodian to supervise use of enemy marks for distribution purposes, since the new Act acknowledges the right of a plurality of persons to register the same trade-mark for use in different parts of the country.

The following are the general principles of the Office with respect to the disposition of vested trade-marks:

1. Trade-marks never used in the United States or used only on imported goods will not be transferred to new owners where such action would defeat the purpose of the marks by deceiving consumers as to the source of the goods to which they are applied.
2. Trade-marks used in the sale of patented products, the patents for which have been vested, will be made available to American licensees under these vested patents if the trade-mark designates the patented product rather than the source of supply. Restrictions may be imposed, however, on length and manner of use.
3. Trade-marks used for many years by American enterprises on goods made in the United States may be sold to the users under certain circumstances for the appraised value of the marks.

VIII

PROPERTY DIVISION

The Property Division represents enemy nationals in court proceedings involving their property or interests, particularly in estates and trusts, recommends vesting of such interests, and administers them. In addition, the Property Division reduces to possession and administers, after vesting, all property not assigned to other divisions (largely bank accounts, notes, claims and credits, and securities). Cash transactions of the agency are handled by the Division.

Representation Functions

The Property Division is charged with the responsibility of representing in court persons residing in enemy countries whose property or interests are involved in estates, trusts, partition suits, attachments before judgments, and other similar proceedings. ^{1/} Such legal representation requires attendance in court; preparation of pleadings, briefs, and legal memoranda; conferences with attorneys; and examination of court records. At this time the Division is handling about 2,200 such cases; of this number, 800 involve Italian and Austrian nationals. New cases continue to arise at a rate of about 90 a month, owing largely to the decease of American residents with heirs in enemy countries.

During the period of hostilities representation was also undertaken on behalf of persons in enemy-occupied territories, but since liberation the Office has withdrawn from all except a few cases.

These representational functions are performed within the Division by an Estates and Trusts Section, which has offices in Washington, New York, Chicago, and San Francisco.

VestingProperty Involved in Court Proceedings

VESTING OF ENEMY INTERESTS.--In addition to representing enemy nationals, the Estates and Trusts Section also effects the vesting of the enemy property or interests involved in court

^{1/} This function was delegated to the Alien Property Custodian by Section 5 of Executive Order No. 9193.

proceedings. At present vestings are largely limited to property of nationals of Germany and Japan. In addition, property or interests acquired prior to December 7, 1945, by persons in Roumania, Bulgaria, or Hungary are vestible; the vesting of property acquired by such persons subsequent to December 7, 1945, has been discontinued upon request of the State Department. Also at State Department request property of Italian nationals, regardless of date of acquisition, is no longer vested.

A backlog of 1,410 cases now exists in which orders must be issued vesting the interests of enemy nationals. As long as the Custodian's power to vest the property or interests of enemy nationals continues, additional vestible cases will be received. It is estimated that during the present fiscal year approximately 1,000 new cases will arise.

Subsequent to the issuance of vesting orders it has been necessary to refer many of the cases to the Department of Justice to enforce compliance. These cases present involved legal questions which require consultation with the Department of Justice concerning methods of procedure to be followed and the position to be taken by the Government in each case. The Division also assists in preparing all petitions, briefs, and other documents in these cases for submission to the courts. There are presently pending in the Department of Justice 650 cases referred to it to enforce compliance, in all of which the attention of the Division is required from time to time.

VESTING OF COSTS AND EXPENSES.--As a result of the Division's representation on behalf of persons in enemy-occupied territories, a total of approximately 3,000 cases accumulated in which the issuance of vesting orders was required to cover costs and expenses incurred in discharging such representational duties. At this time there are about 400 enemy-occupied cases on hand in which cost-and-expense vesting orders may have to be prepared.

The issuance of cost-and-expense vesting orders, of course, is not necessary in enemy cases where the entire enemy interests are vested. There are approximately 800 cases, however, in which the Division has represented the interests of Italians and Austrians. Costs and expenses will have to be specifically vested in these cases if it is definitely determined as a matter of national policy not to vest property in this country belonging to nationals of Italy and Austria.

Estates and Trusts Not under Judicial Supervision

The Estates and Trusts Section has also been assigned the task of vesting German and Japanese interests in inter-vivos

trusts and testamentary trusts not judicially supervised. Pending at this time are 784 Form APC-56, Series G, reports covering such interests.

In many cases it may be necessary to petition the courts for construction of the trust instruments. Since accountings have been suspended during the war, it will be necessary to obtain accountings for this period and to analyze them carefully before vesting orders can be prepared. At present a study is being made to determine more fully the problems involved.

Life Insurance Policies

The Division is responsible for vesting and administering life insurance policies. It has received to date 3,168 Form APC-56, Series H, reports, each of which relates to a single insurance policy or similar contract in which German or Japanese nationals are either insured or designated as beneficiaries. It is expected that considerable investigation in Germany and Japan will be necessary to obtain evidence on the continued existence or death of the insured or beneficiary under the policies. This evidence is required prior to the issuance of vesting orders in order to determine whether the principal of the policy or the cash surrender value should be vested. Pursuant to instructions of the Custodian, a survey is being conducted outside the Property Division to ascertain the problems presented before the institution of an insurance program by the Division.

Reduction to Possession and Administration of Property

The more important types of property administered by the Property Division are interests in estates and trusts, claims, bank accounts, securities, and jewelry and other valuables. ^{2/} In addition, the Property Division performs certain recording and administrative work pertaining to all properties assigned to other divisions.

These functions of the Division are performed largely by the Depositary Section in Washington. Certain functions--principally the reducing of bank accounts to possession, and collection of cash from properties administered by other divisions in New York--are performed by the Custody and Clearance Section, located in New York.

^{2/} Actual sale of securities is made by the Division of Business Management and Control, and of jewelry and other valuables, by the Division of Real Estate and Liquidation.

General Description of Functions

The Property Division serves all vesting orders covering property assigned to it for administration and takes any further steps necessary to secure turnover of the property to the Office. When turnover has been secured, the property is audited.

The Property Division prepares credit advices on all property vested by the Custodian. These advices are sent to the Comptroller's Division for entering the vested properties on the books of the Office. All securities and similar properties vested by the Office are processed for registration in the name of the Custodian and are then placed in the Federal Reserve Bank or temporarily held in safekeeping by the Division. Receipts of cash income and principal from all vested properties are collected by the Division. Advices on such receipts are sent to the Comptroller to be recorded.

Property under Judicial Supervision

The number of pending cases as of September 1, 1946, involving enemy interests in estates, trusts, and all other property under judicial supervision, in which vesting orders must be served, and the number of new cases of this type expected to arise in the fiscal years 1946-47 and 1947-48, together with estimated value, are indicated below:

	<u>Number</u>	<u>Estimated Value</u>
Vesting orders on hand		
to be processed	70)	
Backlog in process of) \$ 7,000,000	
being vested	1,410)	
Estimated new cases,		
fiscal year 1946-47 ...	1,000)	
Estimated new cases,) 8,000,000	
fiscal year 1947-48 ...	750)	
Total	3,230	\$15,000,000

In addition there remained for final audit and closing 1,884 estate cases in which interests had already been vested. Also subject to administration and control were 840 continuing trusts involving life interests, remainder interests, and contingent remainder interests.

Demands for reimbursement of costs and expenses incurred in administering property under judicial supervision are made through cost-and-expense vesting orders. The number and amount of such demands outstanding on September 1, 1946, or to be made, are as follows:

	<u>Number</u>	<u>Estimated amount</u>
Demands in process of collection	1,996	\$ 62,234
Demands to be issued on current cases	237	5,528
Estimated demands to be issued on probable 1,200 cases for vesting in fiscal year 1946-47	<u>3,005</u>	<u>120,200</u>
Total	5,238	\$ 187,962

Properties Not under Judicial Supervision

The number of vesting orders to be processed during the fiscal years 1947 and 1948 on securities, cash, bank accounts, credit instruments, claims, debts, personal property, and other property not under judicial supervision, is indicated below, on the basis of APC-56 reports filed (Series A to F only):

	<u>Number</u>	<u>Approximate number of property items involved</u>
Orders being processed ...	170	850
New orders to be issued in fiscal year 1946-47	1,700	8,500
Orders remaining to be issued in fiscal year 1947-48	<u>2,810</u>	<u>14,050</u>
Total	4,680	23,400

Additional vesting orders will be required with respect to certain of the 3,168 insurance policies reported on APC-56, Series H, and the 784 inter-vivos and testamentary trusts not under judicial supervision reported on Series G. No predictions concerning the number of vestible property items involved in these categories can be made at this time.

Administration of Securities

The Property Division is responsible for the administration of all securities vested or held in safekeeping, including receipts of principal and income, redemptions, stock dividends, reorganizations and exchanges, exercise of subscription rights, and the execution of all documents incidental to such matters. ^{3/} Authorizations are prepared by the Division for withdrawal of the securities from the Federal Reserve Bank for delivery to designated brokers for sale. On September 1, 1946, securities were held as follows:

In Federal Reserve Bank of New York:

2,700 items having a total
par value of \$ 50,205,850.10

In Washington Office:

128 vested items to be processed ... Value not determined
116 items received as voluntary
turnovers and subject to vesting . Value not determined
133 mortgage participation certificates held in custody for Real Estate Section but on which the Property Division maintains a record of all principal and income paid Value not determined

In safekeeping in New York Office:

1,211 items Little or no value

The estimated number and value of new securities subject to vesting under Executive Order No. 9567 are as follows:

<u>Fiscal year in which vesting will be made</u>	<u>Number of items (Estimated)</u>	<u>Par value (Estimated)</u>
1946-47	5,100	\$ 27,000,000
1947-48	12,100	64,100,000
Total	17,200	\$ 91,100,000

^{3/} It should be noted that the actual sale of securities and the control of business enterprises in which substantial stock interests have been vested is exercised by other divisions (chiefly the Division of Business Management and Control and the Division of Real Estate and Liquidation.)

Release of Property

Pursuant to Public Laws 322 and 671 the Vested Property Claims Committee is expected to examine and allow numerous claims. All allowed claims involving cash, securities, and property other than real estate, patents, trade-marks, and copyrights will be referred to the Property Division to effect a release of the property to the claimant.

It is expected that 350 title claims under Public Law 322 will be processed in 1946-47 and 700 in 1947-48; no prediction as to the volume of debt claims under Public Law 671 can be made at this time.

Disbursing

There is assigned to the Division a Disbursing Officer in the New York Office, who performs all disbursing and related functions for the entire Office of Alien Property Custodian. Such functions involve the receiving, scheduling, and depositing of remittances and funds to the accounts of the Disbursing Officer and the Custodian. Additional related activities include the receiving of vouchers; the preparation of schedules of disbursements; the issuance of checks in payment of salaries and expenses of the Custodian's office; the forwarding of checks to payees and to the Custodian's various offices; and the handling of the program of requisitioning, issuing, and delivering United States savings bonds for employees. Disbursing functions must be maintained on a current basis at all times.

World War I Claims

A small amount of property still held as a result of vestings in World War I is administered by the Property Division. The remaining work in connection with this property consists almost entirely of the handling of claims.

The Office presently holds funds from World War I cases amounting to approximately \$7,398,390, of which about \$5,000,000 represents the claims of German citizens. Allowance of all claims is barred by Public Resolution No. 53 (approved June 27, 1934), which prohibits the release of property seized during World War I, so long as Germany remains in arrears on debt payments. This prohibition has been removed by executive orders in certain categories of cases where the rightful claimants are non-German citizens. In a small and undetermined number of these accounts, the property may now be returnable in accordance with these executive orders. Final settlement of most accounts awaits Congressional determination.

Due to the German occupation of different European countries during World War II, it was necessary to suspend action on 595 claims in the approximate amount of \$825,708 for the release of property seized during World War I which were filed by citizens of Poland, France, Czechoslovakia, the Free City of Danzig, and certain other countries. Consideration of the claims will be resumed when the reciprocal treatment requirements of Section 9(e) of the Trading with the Enemy Act, as amended, are satisfied by arrangements between the United States and the respective governments concerned.

In addition, consideration of 278 Austrian cases involving approximately \$273,500 was discontinued in 1939 upon request of the State Department after its recognition of Germany's annexation of Austria. Further consideration of these cases will depend on future decisions on treatment to be accorded Austrian nationals.

IX

COMPTROLLER'S DIVISION

The Comptroller's Division performs all accounting and auditing functions for the Office of Alien Property Custodian. These functions include the maintenance of accounting records relating to property brought under the Custodian's control as well as to the administrative operations of the Office, supervision of the audits of vested or supervised enterprises, and audit of the administrative and vested property accounts of the Office. The Comptroller's Division is composed of five operating sections: The Accounts Section, the Service Section, the Field Audit Section, the Pre-Audit Section, and the Post-Audit Section.

Accounts Section

The Accounts Section maintains the accounting records of the Custodian, including detail accounts and control accounts relating to vested property and to the administrative functions of the Office. Approximately 28,000 accounts are maintained for properties remaining from World War I and 35,000 accounts for World War II properties. These accounts are classified by nationality of former ownership and by type of property.

The accounting records for the administrative expenses and revenues of the Office include some 6,600 expense recovery accounts in which expenses considered attributable to specific vested properties and enterprises are recorded for ultimate recovery from such properties and enterprises.

At the present time the principal volume of work in this Section arises from vested property transactions. As a result of the increased rate of vestings under Executive Order No. 9567 and the enactment of Public Law 322, authorizing the return of vested property and cash to nonenemy nationals, and of Public Law 671, authorizing the payment of taxes and debt claims, it is expected that there will be a substantial increase in the activities of this Section during the fiscal years 1947 and 1948.

Under Public Law 671 the Custodian is required to deduct from enemy assets available for payment of debt claims amounts representing the total administrative expenses of the Office. To provide a basis for such deduction, the Comptroller's Division will be required to assist in developing estimates on the total amount of enemy property vested and to be vested and on the total administrative expenses incurred and to be incurred until the completion of the agency's programs. Comparison of these data will provide a basis for allocating administrative expenses among the enemy properties. The Comptroller's Division will be required to develop and maintain a system to conform to this legal requirement.

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Service Section

The Service Section operates International Business Machine equipment in connection with the processing of accounting advices received from the Accounts Section on vested property and administrative accounts. The actual postings of the accounts and records are made in this Section through punched tabulating cards. By the use of these same cards, statistical reports, tabulations and analyses are prepared for the use of other sections and divisions in the agency. Approximately 2,000,000 such cards have been produced and are on file.

In addition to work on vested property and administrative accounts, the Service Section maintains information on punched tabulating cards on approximately 50,000 patents for the purpose of furnishing statistical information and patent data sheets, which contain a complete history of each patent, to the Division of Patent Administration and the Division of Investigation. Approximately 1,700,000 such cards have been produced and are on file. It is estimated that the work on patents constitutes about 20% of the entire volume of this Section.

Other functions of the Service Section include the preparation of the agency payroll, the maintenance of war bond allotment accounts and maintenance of mailing lists of persons desiring notification of proposed sales of vested property.

Field Audit Section

The principal function of the Field Audit Section is to outline requirements for and to supervise examinations and financial investigations of business enterprises in which the Custodian has a vested interest. The policy of the Custodian is to have examinations made by reputable firms of public accountants of the affairs of such business enterprises. These examinations are made as of the date of vesting or as near thereto as possible.

After the initial examination, the public accountants are usually engaged to make annual examinations and to prepare all tax returns, which are sent to the Field Audit Section for review before execution and submission to the taxing authorities.

The Field Audit Section also analyzes monthly or quarterly statements submitted by the management of vested business enterprises, reviews their accounting systems making such recommendations for improvement as may be necessary, and gives attention to their tax problems.

This Section is responsible for arranging with independent public accountants for the preparation of financial statements to be

included in prospectuses issued in connection with proposed sales of the Custodian's interests in vested business enterprises.

In addition to the above-mentioned responsibilities, this Section maintains the accounting records of some 200 vested business enterprises and prepares their tax returns and financial statements. It also makes examinations and financial investigations of other types of vested or supervised properties, makes or supervises audits of estates and trusts in which the Custodian has vested a beneficial interest, makes special examinations of the records of licensees of vested patents and copyrights for the purpose of verifying royalties payable to the Custodian and advises other divisions on matters requiring specialized knowledge of accounting and tax problems and assists them in working out satisfactory forms of financial reports.

Under Public Law 671, which provides among other things for the payment of post-vesting taxes, the Field Audit Section will have the responsibility for preparing and/or reviewing some 30,000 tax returns covering the years 1942 through 1946. Consultations have been held with representatives of the Bureau of Internal Revenue to devise a system whereby the preparation of the returns and payment of the taxes due can be expedited.

Pre-Audit Section

The Pre-Audit Section performs all audit work on expenditures made by the Custodian in connection with both vested assets and the administrative operations of the Office. This Section also audits all cash receipts arising from the **sale** or liquidation of vested assets, the income received from vested assets, and the administrative revenues of the Office. It reconciles balances of all deposit accounts maintained by the Custodian.

In connection with Public Laws 322 and 671 this Section will have the responsibility for auditing vouchers and other documents relating to the return of vested properties and cash to nonenemy nationals and the payment of debt claims and taxes.

Post-Audit Section

The Post-Audit Section has the responsibility for determining that all assets vested are recorded on the books of the Custodian. On the basis of information obtained from

vesting orders, investigation reports, audit reports, and supplemental data, this Section advises the Accounts Section of the estimated values at which the assets are to be recorded. All transactions related to the sale or other disposition of vested properties as well as the income and expenses applicable thereto and the administrative expenses and revenues are subject to audit by this Section.

Audits are made monthly of receipts and disbursements reported by agents who manage for the Custodian some 500 parcels of vested real estate. In addition detailed records are maintained with respect to the various parcels of real estate for the purpose of furnishing the Real Estate Section of the Division of Real Estate and Liquidation with pertinent information. Income received on some 250 vested mortgages is also audited, and the Real Estate Section is advised of any errors in the remittances or any overdue payments.

In connection with sales of vested securities, other than those offered through a prospectus, this Section informs the Division of Business Management and Control when the securities are in order for sale and, after such sales are completed, audits the transactions.

The Post-Audit Section is now assisting our auditors, Arthur Andersen and Company, in their annual examination of the accounts of the agency. Such assistance relieves the auditors of much of the detail work and results in a substantial saving in audit fees.

OFFICE OF THE GENERAL COUNSEL

The Office of the General Counsel formulates the legal policy of the Office of Alien Property Custodian and renders advisory opinions to the Custodian on legal problems. It prepares or reviews legal documents and regulations, analyzes legislation, and drafts legislative proposals. The legal affairs involved in operating or liquidating business enterprises and other properties controlled by the Custodian are handled by the General Counsel's office. The Office also acts as trial attorney and counsel in conducting hearings on claims, and recommends action to be taken with respect to them. It analyzes and passes on matters to be referred to the Alien Property Litigation Section of the Department of Justice for litigation.

Legal Research and Opinion

Legal research is necessary in the determination of both legal and general policy for the agency. The legal problems encountered frequently involve novel, complex questions cutting across the entire area of private as well as administrative law. Laws of the various states, and also of foreign countries, must often be analyzed. The Office of the General Counsel is now preparing 95 legal memoranda or opinions occasioned by general or special problems of the agency. The Research and Opinion Section, and the Finance and Interpretation Section, are responsible for most of this work.

Claims

The filing of claims against vested property is authorized under Sections 9(a), 32, and 34 of the Trading with the Enemy Act, as amended. Prior to the enactment of Public Law 322, approved March 8, 1946, and Public Law 671, approved August 8, 1946, the Custodian had clear authority to allow only a limited class of claims. Pending clarification of the Custodian's authority, there accumulated a backlog of approximately 1,000 title claims, i.e. claims asserting title to or an interest in vested property, and 4,500 debt claims, i.e. claims of creditors, including contractual rights, against persons who owned property which has been acquired by the Custodian. Many inquiries have been received concerning the procedure for filing claims, and

it is estimated that approximately 4,000 additional title claims will be filed by residents of foreign countries. No estimate can be made as to the number of additional debt claims which will be filed.

The Claims Section of the General Counsel's office reviews all claims filed with the Custodian. The General Counsel recommends action with respect to claims and represents the Custodian in hearings before the Vested Property Claims Committee 1/ in contested cases. The treatment of claims which are carried to the courts (numbering 87 up to the present time) is discussed below under the heading "Review and Litigation".

The principal legal problems with respect to title claims relate to the claimant's eligibility under Section 32 of the Trading with the Enemy Act, as amended, and to the title of the claimant prior to vesting. Eligibility is governed by Section 32 of the Act, which requires determinations with respect to questions such as the claimant's nationality, residence during the war, and whether he was hostile or friendly to the United States. Title questions normally involve interpretations of applicable local law.

Since many title claimants are residents of foreign countries, negotiations are now in progress with foreign governments to establish procedures for certification as to the citizenship and hostility or non-hostility of these claimants. Agreement has been reached with the French Government, which has set up a clearing house in Paris to handle certifications for residents of France.

Procedures conforming to the requirements of Public Law 671, relating to the payment of debt claims, are being set up. The law requires marshalling of claims against the vested assets of each debtor and distribution in accordance with a priority system. Creditors' claims cannot be paid until the time for filing claims against each debtor has expired in accordance with bar dates to be fixed by the Custodian, until pending title claims for return of the property have been disposed of, and until the property is sufficiently liquid to permit payment. It will be the function of the General Counsel to review the validity of debt claims and to urge all defenses which could have been urged by the former owner of the property.

1/ The work of the Vested Property Claims Committee is described in the succeeding chapter.

Real Estate

The Real Estate Section of the General Counsel's office handles all legal problems relating to the vesting, divesting, servicing, and liquidation of real estate acquired by the Custodian. This involves review and preparation of various types of legal documents, including leases, orders for sale, deeds, assignments, and satisfaction of mortgages. The title acquired by the Custodian must be examined and consideration given to claimed encumbrances against the property. Legal memoranda frequently must be prepared on the nature of the Custodian's title, or other legal problems incident to the sale.

There are presently under consideration in the Real Estate Section cases involving 15 proposed offers for sale, 20 cases involving the preparation of deeds, 35 cases involving preparation or review of leases, and 15 cases involving satisfaction or assignment of mortgages. In addition there are 25 requests for legal opinions on miscellaneous problems such as the scope of vesting orders, taxes, the effect of mortgage moratorium laws, and title questions. It is expected that during the fiscal year 1947 approximately 600 parcels of real estate will be sold and that approximately 844 new real property vestings will take place, raising problems similar to those above enumerated. In addition, it is expected that new problems will arise under Public Law 671, which authorizes the Custodian to pay post-vesting taxes.

Review and Litigation

Special Matters under Review

Apart from cases in litigation, many other important cases are being reviewed in the Review and Litigation Section. An example is the situation resulting from the Custodian's vesting the interests of German nationals in numerous contracts (represented by over 100 separate documents) to which General Aniline & Film Corporation is a party, several hundred patents in which the corporation claims an interest, and approximately 97% of the stock of the corporation. The total

assets of General Aniline & Film Corporation amount to about \$75,000,000. The complicated technical agreements upon which the claims are based have been subjected to successive modifications, supplementations, and partial cancellations. It is currently necessary to reduce the contract relations between the Custodian and the corporation to an integrated document with a view to clarifying the relationship and removing provisions which are or may be tainted with illegality.

Another major problem is the imposition of restrictions upon reacquisition by enemies of stock in key corporations sold by the Custodian. A regulation in this connection has recently been promulgated.

Litigation

While litigation is handled by the Alien Property Litigation Section, Department of Justice, after referral by the General Counsel, the General Counsel must first review the legal and factual problems involved and prepare an analysis of the case, together with recommendations. After referral, the General Counsel collaborates with the Department of Justice in preparing the case for trial or other appropriate action. At present there are 1,306 such cases pending in the Department of Justice.

A salient example of the type of work involved is the case of Standard Oil Co. (N.J.) v. Markham, which involves the claim of Standard Oil Company and several affiliated companies to property rights and interests in some 800 patents and patent applications (highly valuable in the field of oil refining, synthetic gasoline, and synthetic rubber) and in certain shares of stock acquired by the Custodian as property formerly owned by I. G. Farbenindustrie, A. G. The plaintiffs allege that they paid \$35,000,000 in cash and stock, in addition to valuable patent rights, to obtain the property which they seek to recover. The Custodian's defenses include the contention that ownership remained in I. G. Farben and that many of the transactions served to cloak continuing Farben interests, that title to numerous patents did not pass as a matter of patent law, and that transactions on which the claims were based were illegal under the antitrust laws. The legal and factual analysis of the case and the underlying transactions is one of tremendous volume, scope, and novelty. Some 6,000 documents were involved, many of them in German, of which over 700 were introduced as exhibits. The opinion of the District Judge contained 91 findings of fact and 43 conclusions of law and yet outlined "only so much of the controversy as is necessary for an understanding of the principal legal questions discussed." Some issues were decided for the Government and some for the plaintiffs, and notices

of appeal have been filed by both parties. In addition to the property involved in this suit the Custodian has vested many other patents and interests of I. G. Farben which are claimed by the Standard Oil group, and further litigation of comparable complexity may be expected.

Another important case is that brought by Swedish interests for the recovery of the shares vested by the Custodian in the American Bosch Corporation. The transactions in the ownership of this property, ranging from the last war up to the present, and involving a maze of Swedish, German, Dutch, and other interests, are extremely intricate.

Liquidation and Business Operations

Liquidation

The Liquidation Section deals with legal problems arising from the liquidation of vested assets. At present there are 10 dissolution orders in preparation and 10 sales orders under review. Six legal memoranda are also being prepared involving such questions as the effect of Section 34(1) of the Trading with the Enemy Act, as amended by Public Law 671, on debts contracted by the Custodian with respect to vested property, the propriety of liquidating a securities holding corporation in which the Custodian has vested 50% of the stock where the anticipated yield from liquidation is greater than the sales value of the stock, recovery by a stock vested corporation of proceeds of an unlicensed sale of real estate, and effect of the Royal Netherlands Vesting Decree on the claim of a stock vested corporation against assets deposited for its benefit by a Dutch bank in the United States.

Business Operations

The Business Operations Section reviews prospectuses and deals with legal problems arising from the management of substantial stock interests in corporate enterprises. Four legal problems in connection with the sales of stock interests are now under consideration, one of which involves the effect and validity of "first purchase" rights in shares which have been vested by the Custodian. Additional problems involve the effect of an increase of capital stock by a corporation which would result in reducing the Custodian's percentage stock ownership, legal representation of the Custodian in the Philippines under Public Law 485, 79th Congress, and the preparation of turnover orders and minutes of stockholders and directors meetings. It is expected that there will be a sharp increase in the activities of this Section during the coming year.

Banks and Insurance Companies

The Office of the General Counsel supervises liquidation of the 22 banks and eight insurance companies under the control of the Alien Property Custodian.

The Custodian has vested the excess proceeds of 14 enemy banks and agencies, the assets of two banks, and a majority of the capital stock (over 90% in most cases) of six banks. The "excess proceeds", consisting of the assets that remain after payment of domestic claims allowed in accordance with state laws, were vested in all those cases where liquidation of unincorporated banks was undertaken by the Superintendent of Banks of the particular state concerned. Where liquidation of unincorporated banks was undertaken by the Office, all assets were vested. Stock was vested in all corporate cases whether liquidation was undertaken by state authorities or the Office.

All but one of the eleven banks located in the State of New York, which are being liquidated by the State Superintendent of Banks, have paid a dividend of 100% on the principal of all filed and allowed claims, and the Superintendent will soon be in a position to turn over excess assets, amounting to approximately \$8,000,000 in cash and \$25,000,000 in assets in kind, to the Custodian. There are numerous legal and administrative problems involved in the liquidation of these enterprises, including determination of the amount of reserves to be retained by the Superintendent to meet creditors' claims, determination of the right of depositors to receive interest during the liquidation period, vesting of assets held but not owned by the banks (e.g., enemy-owned collection and safekeeping items), collection of deposits in foreign countries totaling about \$1,000,000 and foreign receivables totaling about \$3,000,000, ascertaining the liability of the vested institutions in actions involving approximately \$9,000,000 initiated by the Superintendent of Banks, disposition of other cases in which the Superintendent is defendant, supervision of payment of judgments obtained against the Superintendent, and resolution of inter-office claims between agencies of vested banks involving a sum in excess of \$10,000,000.

It is expected that the five California banks also being liquidated by state authorities, likewise will soon pay 100% of the principal of all filed and allowed claims. Reports of these banks reveal an excess of assets over liabilities of roughly \$2,000,000, to be turned over to this Office.

Three banks in Hawaii, two in the State of Washington, and one in Illinois, are being liquidated by trustees who are also employees of this agency. Closer supervisory control is exercised over these banks than over those under direct jurisdiction of the state superintendents.

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Substantially all of the administrative and legal problems specified above in connection with the liquidation of the New York banks will be present in the liquidation of the other banks.

There are eight insurance companies in which the Custodian has a vested interest: in four New York agencies all excess proceeds have been vested; in two, the majority of the capital stock; and in two, all assets. The Superintendent of Insurance of the State of New York is supervising the liquidation of five of the companies, and two are being liquidated by the Custodian's Honolulu Office.

The New York insurance companies will probably soon be in a position to turn over their remaining excess assets, amounting to approximately \$1,000,000. In previous years, \$11,000,000 of excess assets has been distributed to the Office. Liquidation of insurance companies involves problems similar to those encountered in banks.

Patents, Copyrights, and Trade-marks

There are approximately 50 current cases involving patents, copyrights, and trade-marks, handled by the Legislation and Patent Problems Section. These involve determination of the rights of American citizens in such properties, determination of the royalty obligations of patent and copyright licensees and assignees under agreements in which the foreign rights and interests have been vested, determination of the legality of license and assignment agreements under the antitrust laws, preparation of complaints and consent decrees, preparation of contracts providing for renegotiation of exclusive license agreements which are illegal under the antitrust laws, preparation of contracts providing for the settlement of disputed royalty issues, administration of corporate-owned patents, legal dissolution of vested enterprises owning patents or administering vested patents, preparation of special licenses designed to meet unique situations or to comply with the requirements of judicial decrees, and infringement problems.

It is anticipated that the problems outlined above will also appear in many vested contracts which have not yet been presented for consideration. In addition, it is expected that a variety of problems peculiar to patents, copyrights, and trade-marks and related contract interests will result from the recently enacted Public Law 322, which provides for the return of interests in property which were vested from non-enemy nationals.

Legislative Program

The principal legislative matters which remain unresolved are: (1) legislation to provide for the final disposition, through dedication to the public and other means, of enemy patents directly vested by the Custodian (a draft of which has been submitted to the Department of Justice), and to provide for the carrying out of the President's program with respect to so-called "captive" patents, i.e. those owned by corporations in which the Custodian has vested stock; (2) legislation to grant the Custodian authority to sell property notwithstanding the filing of a suit by a foreign national for its return under Section 9(a) of the Trading with the Enemy Act and to provide such nationals with the remedy of suit for just compensation; and (3) recodification of trading with the enemy legislation to eliminate obsolete provisions and modernize those provisions which are still vital.

Legislation may also be required to resolve legal problems incident to inter-custodial conflicts and to implement agreements reached at the scheduled November meeting of the Inter-Allied Reparations Agency in Brussels.

XI

VESTED PROPERTY CLAIMS COMMITTEE

Under a specific delegation of authority from the Custodian, the Vested Property Claims Committee administratively adjudicates or determines all claims asserted against the Alien Property Custodian because of any vesting, supervisory, or other orders issued pursuant to the Trading with the Enemy Act, as amended. The need for administrative proceedings within the Office is apparent from the fact that at present there are some 6,000 claims filed with the Office and at least another 4,000 are expected. In the absence of an administrative tribunal each claimant would be compelled to seek relief in the federal courts.

The Vested Property Claims Committee has an authorized strength of three members. There is one vacancy on the Committee at this time. The Committee also has a small legal and clerical staff. In view of the anticipated increase in the volume of work, it is probable that a considerable expansion of the staff will be necessary.

Procedure

Claims may be determined either under the contested (plenary) procedure or by summary proceeding.

Contested or plenary proceedings are adversary in nature. The claimant is usually represented by counsel and the Custodian by an attorney on the General Counsel's staff. The hearings are stenographically reported, and briefs are usually submitted by the parties. The Committee determinations are issued first in tentative form; before their issuance in final form, the parties have an opportunity to submit either oral or written proposals to modify. Either party may make application to the Custodian within twenty days for review of any final determination.

Summary proceedings for allowance are initiated by the Office of General Counsel and are used only if the claimant is so clearly entitled to allowance that the public interest does not require a contest or hearing.

Under both plenary and summary proceedings, the Committee determines all issues of fact and law.

Because of the absence in most plenary proceedings of an initial pleading containing specific allegations which must be established by proof at the hearing, similar to those set out in a petition or complaint in a law suit, the Committee has found it convenient to the parties and to itself to hold a pre-hearing conference before a contested claim is heard. The

purpose of a pre-hearing conference is to define and simplify the issues, arrange for stipulations as to facts not in dispute, and reach an understanding on such matters as the burden of proof and introduction of exhibits, so that the formal hearing can be limited to basic and pertinent factual information. Some claims have been withdrawn, abandoned, or dismissed upon application after exploration of the issues at the pre-hearing conference because it was then obvious that no relief could be afforded the claimant.

Claims Programs

Title Claims

The Committee has issued to date 41 tentative determinations involving 52 claims and 37 final determinations concerning 48 claims. In addition 106 claims have been allowed under summary proceedings. These processed claims are a small number compared with the 1,000 title claims now pending in the Office and the 4,000 additional title claims expected under present legislation.

Until recently the Committee was greatly hampered in the disposition of title claims because of uncertainties as to the proper interpretation of the Trading with the Enemy Act, as amended. It had always been clear that Section 9(a) of this Act permitted returns to persons who are both citizens and residents of the United States and who are not technically foreign nationals. It was not clear, however, whether this Section permitted returns to non-enemy foreign nationals in view of a subsequent amendment to the Act, namely the First War Powers Act, which permitted vesting of the property of such persons.

This difficulty has been removed by the passage of Public Law 322, approved March 8, 1946, which clearly sets forth categories of persons, both American nationals and non-enemy foreign nationals, to whom returns may be made in the discretion of the Custodian. These categories were later slightly broadened by Public Law 571 of August 8, 1946.

The amount of work ahead of the Committee may be roughly indicated by the fact that in the past it has required 15 man-days to process a contested claim to final determination, a rate of 16 claims per man-year. On the other hand, title claims determined summarily can be processed at an estimated rate of two claims each day or a total of 480 per man-year. Fortunately, it is anticipated that around three-fourths of the title claims can be processed through summary proceedings. Nonetheless, the Committee staff must be substantially increased to permit disposition of claim within a reasonable period of time.

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Debt Claims

Public Law 671, approved August 8, 1946, authorizes the Custodian to pay resident creditors of the former owners of vested property. Prior to its enactment, creditors were permitted to file debt claims, but such claims were not processed because clarifying legislation was deemed imperative. The Committee will determine all issues of fact and law involved in debt claims in a manner similar to the procedures established in title claims. Some modification, of course, will be necessary to adapt the procedures to the different nature of the claims.

At the present time there are on file in the Office of Alien Property Custodian no less than 4,500 debt claims. The recent enactment of Public Law 671 and the increased amounts of property being seized by the Office under Executive Order No. 9567 should result in the filing of an additional number of claims. It is expected that it will require about two man-days for each contested debt claim and about one-half man-day for each summary allowance of a debt claim. It is not practicable to estimate the proportion of debt claims which will require contested proceedings, but it will probably be small.

Thus far the Committee has not handled or scheduled any debt claims, but it is expected that work on this program will commence early in the next calendar year. Again the Committee will require additional manpower to dispose of the enormous number of claims within a reasonable period.

Miscellaneous Activities

In addition to the formal adjudication of claims, the Committee undertakes from time to time, at the request of the Custodian, to resolve special administrative problems not within the established category of claims, such as the adjustment of post-vesting salary questions of employees hired for the liquidation of vested enterprises.

As an aid to persons having claims against the Office, the Committee has recently issued all of its final determinations in a bound volume. In addition members of the Committee, through correspondence and interviews, assist claimants and potential claimants by explaining the procedures of the Committee and the situation with respect to their claims.

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XII

OFFICE OF THE SECRETARY

The Office of the Secretary performs a number of functions concerning the internal activities of the agency and its external relations with the public and other government agencies. These functions deal primarily with the development and coordination of policies and practices and with related administrative matters.

Intra-Office Functions

The Office of the Secretary serves as a secretariat for the Executive Committee of the Office of Alien Property Custodian. The Executive Committee is an advisory group composed of principal officials within the Office who meet with the Custodian, usually once every two weeks, to discuss important problems confronting the agency. The Office of the Secretary sets up the agenda of the Committee meetings, advises the Custodian of the matters to be discussed, takes the minutes, and executes directions of the Custodian made at the meetings.

The Office of the Secretary works with the other divisions in developing general policies of the agency and in determining the application of general policies to particular problems. The Secretary's office is also responsible for keeping all divisions informed of the agency's policies and procedures and securing their consistent application.

As a part of its coordinating duties, the Office of the Secretary reviews all formal orders and documents presented to the Custodian for signature. In addition to reviewing orders and documents, the Office of the Secretary processes, records, and distributes them. With minor exceptions, copies of each order must be filed with the Division of Federal Register, National Archives. The Secretary's office also prepares all sales orders on the basis of recommendations by operating divisions after examining the sufficiency of offers, qualifications of bidders, and other policy and procedural matters.

External Relations of the OfficeRelations with the Public

In the agency's relations with the public, the Office of the Secretary is generally the initial point of contact. It handles most of the general correspondence of the Office and

either prepares a reply or refers the matter to the appropriate division.

Correspondence from the public is diverse in nature. As an illustration, a considerable number of inquiries on claims are received; non-legal inquiries are answered by the Office of the Secretary, and legal inquiries are referred to the Office of the General Counsel. The Secretary's office sends out claims forms to persons requesting them, receives and docketts the completed forms, and acknowledges receipt. The new claims programs under Public Laws 322 and 671 will substantially increase the volume of this work.

Liaison with Other Agencies

The nature of the work of the agency and the direct relationship of this work to the functions of other agencies require close liaison. It is through centralized liaison in the Office of the Secretary that the policies of this agency are coordinated with those of other executive branches and, with the Department of State as intermediary, with those of foreign governments. In particular, close liaison is maintained with the Treasury Department, which also administers foreign property controls, and with the Department of State, which is primarily responsible for governmental decisions on the treatment of the various classes of foreign nationals.

Among the major liaison problems at this time are negotiations with the Treasury to integrate the relaxation of foreign property controls to the vesting program of the Custodian; negotiations with the State Department on the vesting of diplomatic and consular properties; and the resolution of inter-custodial conflicts.

Inter-Custodial Conflicts

The Office of the Secretary has the primary responsibility for work concerning the solution of inter-custodial conflicts. The Secretary is Executive Secretary of the Intra-Office Committee on Conflicting Custodial Problems, which is composed of members of all interested divisions of the agency, and of the Inter-Office Committee on Conflicting Custodian Problems, which is composed of members of the Department of State, the Treasury Department, and the Office of Alien Property Custodian. Administrative work of the agency connected with inter-custodial conflicts is handled by the Office of the Secretary.

Conflicts between the custodians of the various allied governments have arisen because of the existence of many enemy properties over which more than one custodian has a basis for

claiming jurisdiction. For example, the United States has vested German companies in this country which have subsidiaries in other allied countries; should the United States or the other allied country deal with the subsidiary? The United States has also vested securities issued by American corporations, the certificates for which are physically located in other allied countries; should the United States or the other countries exercise jurisdiction? In other cases, the position of the United States is reversed. Moreover, similar conflicts exist with respect to many other types of properties.

In the solution of these conflicts the principal aims of each nation are two-fold: (1) to secure for itself those properties which it considers properly subject to its jurisdiction; and (2) to protect the creditor or minority stockholder interests of its nationals in those enemy properties over which another custodian has assumed control. The conflicts may be resolved by one of two courses: litigation or agreement. Litigation is not viewed as a satisfactory solution because it would be costly and slow, and might lead to diplomatic friction. These and other difficulties were experienced after the first World War.

As a first step in the solution of the conflicts, representatives of Canada, the United Kingdom, and the United States held a number of meetings during 1944 and 1945. An agreement covering a variety of problems involving the three nations was signed on June 12, 1945.

In June 1946, preliminary discussions on inter-custodial conflicts were held in Brussels, Belgium, under the auspices of the Inter-Allied Reparations Agency (IARA), of which the United States is one of eighteen member governments. IARA, which deals with German external assets generally, was considered the appropriate forum to resolve custodial problems. At the June meeting, six countries were represented. The United States representation consisted of members of the Department of State, the Treasury Department, and the Office of Alien Property Custodian. The meeting proved helpful in ascertaining the nature, extent, and complexity of the problems involved. A further conference in Brussels is tentatively scheduled for November 1, 1946, and this agency has again been invited by the Department of State to send representatives. In this conference an attempt will be made to work out an agreement among the eighteen member nations for the resolution of all types of inter-custodial conflicts.

Pending the development of an international agreement on the settlement of inter-custodial problems, this Government is undertaking, on a case by case basis, to protect its interests abroad. The Office of Alien Property Custodian is particularly concerned in these matters when they relate directly to

vested properties. For example, enemy business enterprises vested by the Custodian have collection items of approximately \$5,000,000 in the Western Hemisphere alone. These amounts are principally owed by enterprises seized by other governments, and it will presumably be necessary to negotiate with these governments for the settlement of the accounts. The Latin-American governments are not members of the Inter-Allied Reparations Agency and, therefore, there is no assurance that they will subscribe to agreements reached at Brussels.

XIII

OFFICE OF THE EXECUTIVE OFFICER

The Office of the Executive Officer controls and directs all administrative management activities including budgetary and administrative planning; in addition, it supervises the various business functions of the agency.

A report on administrative expenditures authorized or obligated for the fiscal years 1942 through 1947 is shown in Table 2.

Budget for Fiscal Year 1947

Funds currently authorized (\$3,500,000) for the fiscal year 1947 will not be adequate to defray expenses at the present rate of expenditure. The deficiency results from lack of authorization to date for the following items:

1. Basic wage increase authorized by Public Law 390.
2. Philippine Islands Program.
3. Debt claims program under Public Law 671.
4. Title claims program under Executive Order No. 9725.

Informal discussions with representatives of the Bureau of the Budget have revealed a willingness on their part to approve funds for the first item, which would amount to \$393,834. Of this amount, \$62,440 would be allocable to the Alien Property Litigation Section of the Department of Justice.

It is likewise probable that 1947 funds will be approved for the Philippine Islands Program. This item was deleted from the original 1947 estimate by the Budget Bureau on the premise that, with the establishment of the Philippine Republic on July 4, 1946, the Custodian would have no further duties in the Philippine Islands. The Office's activities in the Philippines are being continued, however, under Executive Order No. 9747.

No funds have been requested or allocated for processing debt claims under Public Law 671. This legislation was approved on August 8, 1946, and a supplemental estimate for the work will be prepared this fall.

For title claims work under Executive Order No. 9725 a preliminary allocation of \$66,000 has been made. Since the work accomplishment objective cannot be achieved with this amount, additional funds should be sought.

Table 2.--Means of Financing Administration Expenses,
Fiscal years 1942 to 1947.

Fiscal year	Means of Financing	Amount authorized or obligated <u>1/</u>
1942-44	Administrative funds remaining from World War I, transferred from Department of Justice by Executive Order No. 9142	\$ 4,063,089
	Less reserve for World War I expenses (unobligated) .	<u>125,000</u> \$ 3,938,089
	Obligated under Executive Order No. 9325	5,401,317
	Emergency Fund for the President ..	70,000
	Less unobligated balance returned to Treasury	<u>31,305</u> 38,695
	Total, from date of organization March 11, 1942, to June 30, 1944	<u>9,378,101</u>
1945	Public Law 529 (78th Congress)	4,000,000 <u>2/</u>
1946	Public Law 156 (79th Congress)	2,500,000
	Public Law 269 (79th Congress)	730,300
	Public Law 349 (79th Congress)	<u>332,900</u> 3,563,200 <u>3/</u>
1947	Public Law 521 (79th Congress)	<u>3,500,000</u>
	Total, July 1, 1944 to June 30, 1947	<u>11,063,200</u>
	Grand Total authorized or obligated, fiscal years 1942 to 1947	\$ 20,441,301

1/ Authorizations from Congress were not required until fiscal year 1945.

2/ Unobligated balance, \$21,087.

3/ Unobligated balance, \$99,111.

Budget for Fiscal Year 1948

In the development of the 1948 budget estimate consideration has been given to the directive of the President communicated to the Office in a letter from the Bureau of the Budget on June 26, 1946. This directive provides that no increases will be requested for "existing activities or initiation of new ones, unless such expansion is required to meet a demonstrable public need of the highest priority, cannot be deferred, and cannot be avoided by more efficient and economical administration." To meet this requirement approximately \$1,000,000 has been cut from the estimates submitted by the various divisions of the agency.

At this writing the budget estimate for 1948 has not been completed; for this reason reference to any specific figures has been omitted.

XIV

DIVISION OF ADMINISTRATIVE SERVICES

The Division of Administrative Services was created on July 1, 1946, to establish within a single division the responsibility of providing administrative services for the Office. Records, mails, and files had previously been handled by the Office of the Secretary. Most of the remaining service functions were for many years performed by the Federal Deposit Insurance Corporation, from which they were transferred by degrees during the past fiscal year.

Records, Mails, and Files

The Records, Mails, and Files Section has general supervision of all the agency's files and filing procedures and custodial responsibilities for official and seized records. It receives, routes, and records all incoming and outgoing mail in the Washington, New York, and San Francisco offices. In addition, it performs a considerable variety and volume of carding and indexing work in connection with forms and other documents received by the agency. The new claims programs under Public Laws 322 and 671 should substantially increase all phases of the Section's work.

Retirement of Records

The Records Retirement Unit surveys all official records of the agency to prepare retirement schedules. Various lengths of time are suggested for keeping the different classes of records, depending on their subject matter. These proposed record retention periods are submitted to the National Archives for final approval. Disposable records are named in disposal lists, similarly transmitted to the National Archives, and when these lists are approved, the records are destroyed. Documents considered to be of enduring value and certified as such by the National Archives are transferred to the Archives or other designated depository for permanent safekeeping when their current use by the Alien Property Custodian is no longer required. The records retirement branch in the New York warehouse has custody of a major portion of the records taken from vested business enterprises. Its work load will increase if records stored elsewhere are transferred to the New York warehouse.

Other Services

The Procurement and Supply Section handles all purchases of the Washington office and maintains a stock room. Representatives of the Division in New York and San Francisco perform similar.

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duties in those offices. All payment vouchers for field offices clear through the Washington office.

There also exists within the Washington office of the Division a messenger unit and a duplicating unit. The duplicating unit has equipment for mimeographing, photostating, and multilithing. The work of the duplicating unit has been increasing during recent months and is expected to remain at its present high level for at least a year as a result of the increased rate at which vesting orders are being issued.

XV

DIVISION OF PERSONNEL

The Division of Personnel is responsible for the administration of the personnel program of the Office of Alien Property Custodian. The Division is concerned primarily with recruitment, placement and training, position classification, and the maintenance of all personnel records incident to appointment, payroll, leave, and retirement.

Number and Composition of Personnel

On September 1, 1946, the Office of Alien Property Custodian had on its active rolls a total of 745 employees. This figure includes departmental and field employees in both the classified and unclassified service. Of this number, 731 are full-time employees, 5 are employed part-time, and 9 are employed irregularly (WAE employees).

Table 3 presents a breakdown of these 745 employees by division, location, and Civil Service classification series.

In addition to the 745 active employees the Office has 45 persons on military furlough and 17 on extended leave without pay.

Personnel Ceilings

The personnel ceiling of the Office of Alien Property Custodian, as determined by the Bureau of the Budget for the first quarter of the fiscal year 1947, is limited to 695 full-time classified employees and 14 man-months for part-time and irregularly employed personnel, for Washington, D. C. and the continental United States. In addition, there is an allowance of 20 full-time employees and employment up to 2 man-months for part-time personnel for the Hawaiian office. Employees in the Philippine office are excluded from the personnel ceiling.

The Office at present is below its continental United States quota of full-time employees by 24 persons and below its Hawaiian ceiling of full-time employees by 2 persons.

Table 3.--Breakdown of Personnel by Division, Location and Civil Service Classification Series

Division	Total	Location					Civil Service Classification			
		Wash- ington	New York	Chi- cago	San Francisco	Other	P	CAF	CPC	Unallo- cated
Total	745	443	201	19	24	58	160	528	19	38
Office of the Custodian	8	8	-	-	-	-	-	6	-	2
Office of the Executive Officer	4	4	-	-	-	-	-	4	-	-
Office of the Secretary	17	17	-	-	-	-	3	14	-	-
Vested Property Claims Committee	9	9	-	-	-	-	7	2	-	-
Office of the General Counsel..	83	82	-	-	1	-	45	38	-	-
Comptroller's Division	71	-	66	-	5	-	-	71	-	-
Div'n. of Administrative Services	95	65	30	-	-	-	-	77	18	-
Division of Personnel.....	14	11	3	-	-	-	-	14	-	-
Div'n. of Research & Statistics	36	36	-	-	-	-	20	16	-	-
Division of Investigation	94	69	23	-	2	-	29	65	-	-
Div'n. of Patent Administration	73	59	14	-	-	-	22	51	-	-
Property Division	122	62	35	19	6	-	32	90	-	-
Div'n. of Business Management and Control	20	11	9	-	-	-	-	20	-	-
Div'n. of Real Estate and Liquidation	30	10	18	-	2	-	-	30	-	-
Manager, New York Office	3	-	3	-	-	-	-	3	-	-
Manager, San Francisco Office .	8	-	-	-	8	-	-	8	-	-
Manager, Hawaiian Office	18	-	-	-	-	18	2	15	1	-
Manager, Philippine Office	40	-	-	-	-	40	-	4	-	36

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XVI

DIVISION OF RESEARCH AND STATISTICS

The Division of Research and Statistics analyzes problems involved in the investigation, administration, and disposition of property in order to assist in the determination of policy and in securing efficiency in the operating programs. It compiles statistical data on controlled properties and on various activities of the Office. The Division also prepares the official reports of the Office, including the Annual Report, and provides information services for persons and agencies concerned with enemy property.

ResearchResearch on Current Problems

At the request of the Custodian or other divisions of the agency, the Division of Research and Statistics conducts non-legal research of all types to assist in the development of policy and in the solution of administrative problems.

An extensive report has recently been completed on a \$30,000,000 expansion program proposed by the largest vested enterprise, General Aniline & Film Corporation. This report describes the nature of the buildings and equipment required for the expansion and discusses the estimated costs of the various items, the additional net income expected from their utilization, and the underlying estimates of future demand. The report stresses that the primary responsibility for the investment would lie with the Board of Directors of the Corporation rather than with the Office. A special committee of the Board of Directors is now reconsidering the investment program in the light of the report.

A study is now being made to determine the cost to the Office of vesting, administering, and disposing of parcels of real estate. The object of this study is to ascertain at what point it becomes uneconomic for the Office to vest; or in other words, the minimum amount a parcel of real estate must be worth to cover all costs of handling. Similar studies may be conducted on the costs of handling other types of property should the Office determine as a matter of general policy not to vest where the costs exceed the value of the property.

Under constant study are problems relating to sales policy with respect to vested business enterprises. These studies concern such matters as objectives of sale, sales procedure, terms of sale, and adequacy of bids, both generally and with reference to individual companies.

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Representatives of the Division usually take part in intra- and inter-agency meetings on policies regarding patents, trade-marks, inter-custodial conflicts, and other subjects.

Historical Program

The Office of Alien Property Custodian, together with other agencies of the Government, has been requested by the Bureau of the Budget to prepare historical studies on its activities, as part of the War Records Project established by the Bureau in conformance with President Roosevelt's desire for a permanent record of activities of the Government during World War II.

As of September 1, 1946, the Division has completed 13 monographs on various activities of the Office. Several additional monographs are currently in preparation; the most extensive of these is a history of patent policy. The work accomplished thus far brings the historical program about halfway toward completion.

Reports and Services

Annual Report

The President is required under the Trading with the Enemy Act to submit to Congress annual reports on the administration of enemy property. These annual reports have thus far been prepared in the name of the Office of Alien Property Custodian. The fourth Annual Report of the Office, covering the fiscal year ending June 30, 1946, is now under preparation in the Division, and is expected to be printed early this winter.

Other Reports

The Division serves as a source of information about the Office for other branches of the agency itself, for Congress, for other departments of the government, and through the State Department for the governments of foreign countries and international bodies.

Preparation of these special reports should continue to require considerable attention. New legislation and proposed international arrangements regarding enemy property will undoubtedly create the need for a considerable amount of factual reporting to other interested agencies.

Information, Library, and Index Services

The Division prepares all press releases and makes note of publicity received by the Office. It operates a small library

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which functions principally as a procurement agency for books, pamphlets, and other material needed in the Office.

The Division also indexes all orders issued by the Custodian to provide alphabetical, geographical, and other appropriate listings covering, for example, vested properties and persons from whom property was vested. The Division has recently issued a comprehensive 397-page mimeographed alphabetical index of orders. This index is kept up-to-date with quarterly supplements.

Statistics

Statistical Activities

Compilation of statistical data on property controlled by the Office is the largest single program of the Division of Research and Statistics. The statistics are derived from reports on individual cases by the various divisions of the agency and by controlled business enterprises, and are designed to show, under suitable classifications according to type of property, etc., such data as (a) the amount of property vested, (b) the progress of liquidations, (c) the amount of income earned, (d) the appreciation in value of properties, and (e) the amounts returned to title claimants and paid to creditors.

The Division is now engaged in the preparation of statistical data for the fiscal year ending June 30, 1946. More comprehensive data are assembled at the end of each fiscal year than for shorter periods. Most of the raw data needed from other divisions for the development of the statistics have been received, but the volume is so great that the entire project cannot be completed before the end of October.

Meanwhile tentative data as of October 1, 1946, have been compiled, and some of the more important figures are presented below.

An urgent problem to be met is the collection of data on the character and size of claims filed with the Office for the return of property and the payment of debt claims. With the assistance of this Division and the Vested Property Claims Committee, the Office of General Counsel is now analyzing all claims for administrative purposes. The results of this analysis should provide a partial basis for developing current statistics on title claims and debt claims against vested property.

Statistical Information as of October 1, 1946

As of October 1, 1946, the Office of Alien Property Custodian controlled property with a total book value of \$485,000,000. This amount may be classified as follows:

Property controlled through <u>vesting orders</u> and related supervisory orders	\$ 409,000,000
Property controlled through <u>supervisory orders</u> alone	1,500,000
	<u>\$ 410,500,000</u>
Assets (of controlled business enterprises) located in enemy and formerly enemy-occupied countries (except Philippine Islands)	<u>74,500,000</u>
	\$ 485,000,000

Assets located in enemy and formerly enemy-occupied countries are listed separately because of their doubtful value and because control over them has not been established by the Office.

The Custodian's equity in the \$409,000,000 of property controlled through vesting orders (and related supervisory orders in certain cases where less than a majority of the voting stock of a company was vested) amounts to \$290,480,000. The remaining \$118,520,000 represents the equity of other stockholders and creditors in vested business enterprises.

The Custodian's \$290,480,000 equity on October 1, 1946, is classified by type of property on Table 4. This table also shows the value and composition of the vested property as of dates of vesting. Differences between the two sets of figures indicate changes which have taken place in the property during the period of the Custodian's administration. These changes have resulted principally from (1) liquidations and sales, (2) income and appreciation, and (3) distributions of securities and other assets to the Custodian by estates and trusts and enterprises in liquidation.

A reconciliation of net equity vested as of dates of vesting to net equity vested as of October 1, 1946, is presented in Table 5.

The \$290,480,000 net equity of the Custodian may be classified as follows according to nationality of former ownership:

German	\$ 200,570,000	<u>1/</u>
Japanese	64,160,000	
Italian	17,200,000	
Hungarian	2,720,000	
Roumanian	960,000	
Bulgarian	600,000	
Nationals of formerly enemy-occupied countries	4,270,000	
Total	\$ 290,480,000	

In addition to assets on which estimates of dollar value can be made, the following properties have also been vested:

Patents	40,269
Part interests in patents	323
Patent applications	4,617
Unpatented inventions	833
Interests in patent contracts	1,094
Copyright interests (esti- mated number of works) .	500,000
Trade-marks	412
Interests in ships	29

1/ Including approximately \$2,500,000 of property of persons found to have been nationals of Germany at the time of vesting because of residence in Austria, Danzig, and the Sudetenland.

Table 4.--Not Equity Vested, March 11, 1942 to October 1, 1946,
Classified by Type of Property, Valued as of Dates of Vesting and as of
October 1, 1946 (Tentative Estimates)
(In thousands of dollars)

	As of		As of	
	dates of vesting		October 1, 1946	
Cash ^{1/}	-		102,200	
<u>Interests in vested business enterprises:</u>				
Stock	93,780		94,500	
Equity in enterprises whose assets or excess assets have been vested	48,640		38,300	
Partnership interests	310		300	
Bonds	520		350	
Notes and accounts receivable	9,070	152,320	3,990	137,440
<u>Royalties on patents, copyrights, and trade-marks (accrued prior to dates of vesting): ^{2/}</u>				
Patents, patent applications, and patent contracts	5,100		500	
Copyrights and copyright contracts	800		-	
Trade-marks and trade-mark contracts ..	500	6,400	-	500
<u>Real property:</u>				
Real Estate	4,970		2,220	
Mortgages	870		700	
Ground rents, leaseholds, and other interests in real property	20	5,860	10	2,930
<u>Personal property:</u>				
Tangible personal property	1,050		200	
Stocks	2,790		2,090	
Bonds	580		2,330	
Mortgage participations	290		360	
Other securities	110		110	
Bank balances	6,180		630	
Currency and coin	4,000		-	
Notes, claims, and credits	7,540		3,770	
Life insurance and annuities	40		40	
Miscellaneous contractual interests ..	10	22,590		9,530
<u>Interests in estates and trusts:</u>				
Decedents' estates	19,350		8,610	
Trusts under wills	23,090		17,240	
Trusts inter vivos	6,400		5,500	
Guardianship estates	1,680	50,520	1,220	32,570
Property in the Philippines		9,220		5,310
Total		246,910		290,480 ^{3/}

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Footnotes to Table 4.

1/ This figure is not of direct expenses immediately borne by the vested property but not of cash transferred to the administrative expense fund to defray the administrative expenses of the Office. Cash assets of vested business enterprises are excluded inasmuch as they are reflected in the valuation of "interests in vested business enterprises". Certain cash amounts in process of collection are included.

2/ Values stated include only royalties actually collected and royalties on which estimates are available.

3/ This figure is before deduction of cash transferred to the administrative expense fund for defraying the administrative expenses of the Office.

Table 5.--Increase in Value from Dates of Vesting to October 1, 1946, of Net Equity Vested During the Period March 11, 1942 to October 1, 1946

(In thousands of dollars)

Net equity vested as of dates of vesting	246,910
Add: Net appreciation of interests	
in business enterprises <u>1/</u> ...	28,150
Income on interests in	
business enterprises	8,590
Income on other vested	
property	<u>10,810</u> 47,550
Less: Property divested (i.e. re-	
turned to former owners)	1,610
Property transferred to the	
Republic of the Philippines ..	<u>2,370</u> <u>3,980</u> <u>43,570</u>
Net equity vested as of October 1, 1946	290,480

1/ Appreciation and depreciation of properties other than interests in business enterprises cannot be computed. Other properties are, therefore, carried at the same values at October 1, 1946, as at dates of vesting.