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Annual Report

OFFICE OF
ALIEN PROPERTY
DEPARTMENT OF JUSTICE

FISCAL YEAR ENDED JUNE 30, 1961

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LETTER OF TRANSMITTAL TO THE PRESIDENT

Office of the Attorney General,
Washington, D. C.

The President,
The White House, Washington, D. C.

My dear Mr. President:

I have the honor to transmit to you the Annual Report of the Office of Alien Property, Department of Justice, for the fiscal year ended June 30, 1961. This report is made pursuant to section 6 of the Trading with the Enemy Act, as amended.

Respectfully,

Robert F. Kennedy
Attorney General

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LETTER OF TRANSMITTAL TO THE ATTORNEY GENERAL

Office of Alien Property
Department of Justice
Washington 25, D. C.

The Honorable
The Attorney General

Dear Mr. Attorney General:

I herewith present the Annual Report of the Office of Alien Property for the fiscal year ended June 30, 1961. This is the nineteenth annual report of proceedings under the Trading with the Enemy Act, as amended, submitted by the Office of Alien Property and its predecessor agency, the Office of Alien Property Custodian, in accordance with section 6 of the Act.

Respectfully,

Joseph D. Guilfoyle
Acting Director
Office of Alien Property

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ANNUAL REPORT
OF
OFFICE OF ALIEN PROPERTY
DEPARTMENT OF JUSTICE
FOR
FISCAL YEAR ENDED JUNE 30, 1961

ADMINISTRATION, LIQUIDATION AND DISPOSITION OF ALIEN PROPERTY

The Office of Alien Property has made steady progress during the 1961 fiscal year towards its ultimate objective, the completion of the administration, liquidation and disposition of alien property and the covering into the Treasury for deposit into the War Claims Fund the remaining net proceeds of German and Japanese assets.

Value of Vested Property

During the year the Office realized through liquidations of vested property, together with income in the form of rents, dividends, interest on bonds, royalty payments and distributions from estates and trusts, a total of \$4,590,000. This amount includes \$1,450,000 from the sale of the stock of Carl Zeiss, Inc., over \$1,000,000 in cash distributions and income from vested interests in estates, trusts and insurance contracts, almost \$700,000 from the sale of miscellaneous securities and about \$500,000 in royalties from patent, copyright and trademark contracts.

As of June 30, 1961 the total cash receipts from World War II property vested by the United States under the Trading with the Enemy Act, as amended, amounted to \$525,000,000. After the deduction of administrative expenses, taxes, payment of claims and advances of \$228,750,000 to the War Claims Fund, there was a balance in the United States Treasury at the end of the fiscal year of approximately \$137,000,000 as shown in Table 1, which follows:

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TABLE 1

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

AS OF JUNE 30, 1961

CASH RECEIPTS

Cash receipts from vested property:		
Principal	\$442,652,235.38	
Income	<u>80,016,441.64</u>	\$522,668,677.02
Cash receipts from non-vested property		1,996,368.59
Expenses recovered from Satellite Assets Fund		<u>236,969.69</u>
Total Receipts		<u>\$524,902,015.30</u>

CASH DISBURSEMENTS

Transfers to War Claims Commission		\$228,750,000.00
Payment of title and debt claims, Sec. 9(a) suits and compromise settlements		55,032,813.10
Administrative expenses		58,285,484.98
Direct expenses, taxes, repairs, intercustodial payments, war production royalties, travel, etc.		44,479,022.10
Cash transferred to U.S. Treasury under Sec. 202(b) of International Claims Settlement Act		<u>1,567,102.57</u>
Total Disbursements		<u>\$388,114,422.75</u>
Balance June 30, 1961		<u><u>\$136,787,592.55</u></u>

In addition, unliquidated property, consisting of stock of General Aniline and Film Corporation with a book value of \$129,000,000 and miscellaneous property interests estimated to be worth about \$14,000,000, continue to be administered by the Attorney General.

The \$228,750,000 advanced to the War Claims Fund from the Attorney General's account in the United States Treasury is being recovered from German and Japanese accounts as they become free from claims and litigation.

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At June 30, 1961 balances in over 28,000 accounts, totalling some \$213,000,000, less administrative expenses, were applied against the advances.

The remaining German and Japanese vested property is recorded in 5,600 accounts containing cash and unliquidated property estimated to be worth about \$264,000,000. As these accounts become free, the net balances will continue to be applied against the advances. After the entire \$228,750,000 has been recovered, the net balances in the remaining accounts will then be remitted directly to the War Claims Fund pursuant to Section 39 of the Trading with the Enemy Act, as amended.

In addition to the German and Japanese accounts, there are some 2,100 accounts of other nationals with cash and unliquidated property valued at about \$16,000,000 which must be disposed of either through returns of property to eligible claimants, by transfer to the Treasury Department pursuant to Public Law 285, or otherwise.

OPERATION OF BUSINESS ENTERPRISES

The sale of the stock of Carl Zeiss, Inc., left General Aniline and Film Corporation as the sole remaining company in active operation under the supervision of the Office of Alien Property.

The Office of Alien Property holds in the name of the Attorney General 540,894 (91.2%) of the 592,742 outstanding shares of common "A" capital stock and all of the 2,050,000 outstanding shares of the common "B" capital stock of the Corporation. The vested stock of this Corporation constitutes nearly one-half of the value of all the property which still remains under the administration of the Attorney General. Ninety-three percent of this stock is involved in a suit brought under Section 9(a) of the Trading with the Enemy Act, as amended, and cannot be sold or otherwise disposed of pending the termination of that suit. As the principal stockholder, the Attorney General votes his stock to elect a Board of Directors, who in turn select management to operate the company.

At the Annual Meeting of Stockholders in April 1961, the following men were elected directors of the Corporation: Mr. Harold E. Clancy, Hon. Albert Conway, Mr. Frank DeLuca, Mr. Philip M. Dinkins, Mr. F.A. Gibbons, Mr. Joseph N. Lyons, Mr. Wm. Peyton Marin, Mr. Thomas A. Morgan, Mr. Paul V. Myron, Mr. Andrew F. Oehmann, Mr. Charles F. Preusse, Hon. Peter J. Reidy, Mr. Thomas J. Shanahan, Mr. Ross D. Siragusa, Mr. John H. Smith and Mr. John I. Snyder, Jr. Mr. Morgan was elected Chairman of the Board of Directors and Mr. Snyder Vice Chairman.

Mr. Bailey K. Howard and Mr. Frank Markoe, Jr. were elected directors in June 1961.

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SUITS AND OTHER JUDICIAL PROCEEDINGS

The Office of Alien Property represented the Attorney General in 286 judicial proceedings in the various Federal and state courts throughout the United States during the fiscal year. These proceedings included 239 cases which were carried over from fiscal 1960 and 47 new cases which were filed in the courts during fiscal 1961. During the year 89 cases were terminated through legal proceedings, leaving 197 cases pending at the end of the fiscal year.

The case of Societe Internationale, etc. (I. G. Chemie), [also known as Interhandel] v. Kennedy, et al., brought under Section 9(a) of the Trading with the Enemy Act to recover approximately 93% of the stock of General Aniline and Film Corporation, continues to be the most important litigation in the Office.

Since reversal of the dismissal of the case by the Supreme Court in 1958 and its remand to the United States District Court for further proceedings ^{1/}, the major efforts of the Office have been toward obtaining the production of the records of the plaintiff's private Swiss banking affiliate, H. Sturzenegger & Cie., ordered by the District Court in 1949. Nearly 250,000 Sturzenegger documents have been produced by the plaintiff, the inspection of which is currently being carried on, but the books of account of the Swiss bank, numbering over 100, must be inspected by the defendants in Switzerland and this requires the permission of the Swiss Government.

In May 1960 permission was sought through the Department of State for officials of this Office to enter Switzerland for the purpose of examining and copying the books of H. Sturzenegger & Cie., and on February 10, 1961, the Swiss Federal Council granted the application of the Attorney General but so qualified its authorization that in April 1961 the Department of State was requested to obtain clarification or modification of the conditions imposed by the Swiss. One of the conditions was that the books and records inspected, or copies thereof, or information contained therein, were not to be transmitted to any third persons not parties to the suit and, in particular, not to I. G. Farben in Liquidation.

During the pendency of the application for permission to inspect the Sturzenegger books in Switzerland, plaintiff moved before the Master for a protective order limiting the Attorney General in the use of all documents, books and records produced and to be produced by the plaintiff by preventing the Government from showing or turning over such records or their contents to I. G. Farben or its representatives. This motion was granted on February 14, 1961 and an order was entered on March 21, 1961

^{1/} 357 U.S. 197.

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which prohibits the defendants from exhibiting or delivering to Farben or its representatives any documents produced by the plaintiff under the order of discovery as a quid pro quo for the production of information by Farben, but it does not prevent the defendants from exhibiting or delivering copies of such papers to Farben in a bona fide effort to obtain discovery of relevant information. To the extent that this order permits the use of information obtained through discovery to obtain further discovery from third persons not parties to the suit, the authorization granted by the Swiss Federal Council is in conflict.

The latest proceeding in this litigation is a motion for a protective order filed by the Attorney General on June 9, 1961 to stay the deposition of the Executive Vice President of General Aniline and Film Corporation, started by the plaintiff on May 3rd. The Government's motion is based on the general rule of priorities in discovery procedures and seeks an order deferring the deposition of the General Aniline and Film official with its concomitant production of documents until defendants have been afforded an opportunity to inspect and copy the Sturzenegger books of account.

The suits of some 1700 stockholders in I. G. Chemie, who were permitted to intervene in the main action, are still in the pre-trial discovery stage.

In addition to the Interhandel case, some of the most important cases litigated during the year were:

Bank voor Handel, et al. v. Kennedy (U.S.D.C., D.C.)

This was a consolidated action brought for the return of approximately four and a quarter million dollars by five Dutch corporations and a Swiss foundation, and on behalf of the Attorney General a motion to dismiss certain of the complaints and certain counts in the remaining complaints was filed on the ground that the Dutch corporations were ineligible to maintain such actions or causes of action under Section 9(a) of the Trading with the Enemy Act. The trial court granted the motion and an appeal was taken to the Court of Appeals for the District of Columbia Circuit, which affirmed the action of the lower court. A petition for certiorari was filed by the Dutch plaintiffs, opposed by the Department and denied by the Supreme Court on June 19, 1961.

Wagenknecht, et al. v. Kennedy (U.S.D.C., D.C.)

This was a 9(a) suit involving the return of cash in excess of \$1,000,000 and collaterally affected an additional \$19,000,000 realized from the sale of certain vested securities. After extensive discovery proceedings, the Attorney General demanded of the plaintiffs that certain documents in their control be furnished him or, in lieu thereof,

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the complaints be dismissed in their entirety. The trial court dismissed the complaints. No appeals were taken.

This is a landmark case in that the court found that the plaintiffs were deliberately refusing to furnish the information and granted the summary relief requested.

Manufacturers Trust Company v. Kennedy (U.S.D.C., S.D.N.Y.)

This was an action brought under Section 9(a) of the Trading with the Enemy Act seeking the recovery of approximately \$330,000. The question involved was whether by virtue of a series of private international agreements the Manufacturers Trust Company and several associated banks had title to the vested property. After extensive discovery proceedings both plaintiffs and defendant filed motions for summary judgment. The court granted the Attorney General's motion for summary judgment, finding that the Manufacturers Trust Company did not have title as a trustee to the funds. After a trial the court also found that the plaintiffs did not have title in their individual capacity to the funds. The plaintiffs appealed to the United States Court of Appeals for the Second Circuit which, on June 14, 1961, affirmed the lower court and, in addition, found that the funds in question were the property of the German Reichsbank.

Aratani v. Kennedy (U.S.D.C., D.C.)

This is an action brought under Section 34(f) of the Trading with the Enemy Act, as amended, to review The Sumitomo Bank, Ltd. Final Schedule with respect to the partial disallowance of 1,144 yen deposit debt claims. The issue in the case is whether these obligations are payable at the post-war yen dollar rate of exchange or at the pre-war rate of exchange. At the post-war rate of exchange, the amount due is approximately \$23,000, while at the pre-war rate of exchange, the amount payable would be in excess of \$2,000,000. On behalf of the Attorney General, a motion for summary judgment was filed in which the position was taken that the obligations were payable at the post-war rate of exchange. The motion was granted.

Orme v. Northern Trust, et al. (Supreme Court of Illinois)

This is an estate and trust matter involving the construction of a trust under a will of a decedent who died in 1873 leaving, inter alia, certain remainder interests to German nationals which were vested by the Attorney General under the provisions of the Trading with the Enemy Act. The corpus of the estate is in excess of \$2,000,000 and ultimately may involve a distribution to the Attorney General in an amount in excess of \$1,000,000.

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The issues in the case involve the application of the Rule in Shelley's Case to the provisions of the will; the right of an adopted child to take under the provisions of the will; the status of the German remaindermen after the issuance of the vesting order; and finally, whether counsel fees in excess of \$270,000 should have been allowed by the Probate Court. The Appellate Court of Illinois, First District, resolved all the issues in favor of the Attorney General except that involving the allowance of counsel fees. The Supreme Court of Illinois has allowed appeals on all of the issues raised below and argument will occur in the Fall.

ADMINISTRATIVE CLAIMS

The processing and adjudication of title and debt claims continue to be a major responsibility of the Office.

As of June 30, 1961, there had been filed with the Office of Alien Property a total of 67,541 claims relative to vested property, of which 19,851 were title claims and 47,690 were debt claims. At the start of the 1961 fiscal year there still remained to be processed 2,725 title claims and 121 debt claims. During the year, 9 title claims and one debt claim were filed and 4 title claims and 191 copyright debt claims inadvertently counted as disposed of prior to July 1, 1960 were counted as pending. The total amount of cash and appraisable property returned or paid under the title claims program and under Section 9(a) of the Trading with the Enemy Act has now reached the sum of approximately \$81,900,000. Debt claims amounting to about \$4,823,000 have also been paid.

The Office processed 187 title claims during the 1961 fiscal year which resulted in a return to former owners of \$1,637,000 in cash, plus various interests in property of unappraisable nature, such as patents, copyrights, interests in patent contracts and copyright contracts. Over the same period, 19 debt claims were disposed of administratively. Eight of these claims were allowed in the aggregate sum of \$618,000. The remaining 11 debt claims, involving approximately \$1,500,000, were disallowed or withdrawn.

During the fiscal year Final Schedules of debt claims were allowed and pro-rata payments were issued in insolvent estates pursuant to Section 34(f) of the Act. These Schedules involved 365 claims totalling approximately \$300,000. Pro-rata payments totalling approximately \$66,155 were made to claimants.

During the 1961 fiscal year one debt claim was filed against property vested under Title II of the International Claims Settlement Act of 1949, as amended, otherwise known as the "Satellite Assets Program". A debt claim in the sum of \$511.59 was allowed and paid and

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two debt claims totalling \$840,000 were dismissed during the fiscal year under this program.

Three Final Schedules of claims allowed and proposed pro-rata payments were issued during the fiscal year in "satellite assets" insolvent estates, pursuant to Section 208(f) of the International Claims Settlement Act of 1949, as amended. These Schedules involved 5 allowed claims totalling \$1,480,545.05 on which pro-rata payments of \$6,745.36 were made to claimants.

DEBT CLAIM LITIGATION UNDER SECTION 34 OF THE TRADING WITH THE ENEMY ACT AND SECTIONS 207 AND 208 OF THE INTERNATIONAL CLAIMS SETTLEMENT ACT OF 1949, AS AMENDED

On July 1, 1960, 21 complaints for review under Section 34 of the Trading with the Enemy Act and one under Section 208 of the International Claims Settlement Act were pending. Twenty-one of these cases were in the United States District Court for the District of Columbia and one had reached the Supreme Court of the United States. One complaint for review under Section 34 of the Trading with the Enemy Act and one complaint under Section 208 of the International Claims Settlement Act of 1949, as amended, were filed during the 1961 fiscal year.

In the course of the year, 14 of the Section 34 complaints for review and one Section 208 complaint were disposed of, leaving pending on June 30, 1961, 8 complaints for review under Section 34 of the Trading with the Enemy Act and one under Section 208 of the International Claims Settlement Act of 1949, as amended.

INTERESTS IN ESTATES, TRUSTS AND INSURANCE CONTRACTS

At the beginning of the fiscal year the Office of Alien Property was administering vested interests in 546 estates, trusts and insurance contracts. During the year 64 cases were closed out, leaving a total of 482 such cases remaining on June 30, 1961. The pending cases consist of 83 cases representing interests in estates which have not been fully administered or with respect to which the Office has not yet received the distributive shares of the vested interests. In addition, there are 359 open cases in which the Office has one or more life interests from which income is collected periodically or remainder interests which the Office is required to protect or preserve by periodic review of the Trustees' accounts pending the maturity of such interests; and 40 insurance contract cases from which we receive periodic remittances.

For the entire period commencing March 11, 1942 to June 30, 1961 distributions and income from estates and trusts have amounted to approximately \$58,000,000 in cash. About \$1,000,000 was received by the Office during the fiscal year.

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RECAPITULATION

Table 2, which follows, shows the value of all property vested on which a valuation has been placed and the disposition of property no longer under the control of the Office.

Table 2---DISPOSITION OF VESTED PROPERTY

Total vested property including value at date of vesting plus appreciation.....	\$701,000,000
LESS:	
Property returned to non-hostile persons.....	\$ 81,900,000
Debt claims paid.....	4,823,000
Funds transferred to War Claims Fund.....	228,750,000
Funds transferred to the Treasury Department pursuant to Lombardo and Reverse Lend-Lease Agreements..	1,410,000
Funds transferred into Treasury under sec. 202(b) of P.L. 285.....	732,000
Funds divested and covered into Treasury or paid direct to individuals under sec. 202(b) of P. L. 285.....	900,000
Cash and other property transferred to foreign governments per inter-custodial agreements.....	10,200,000
Direct expenses not allocated to specific types of property.....	33,930,000
Conservatory and administrative expenses.....	<u>58,355,000</u>
Total Deductions.....	<u>\$421,000,000</u>
Property remaining June 30, 1961.....	\$280,000,000

Table 3, which follows, indicates the estimated value of vested property on which a valuation has been placed still under the control of the Office.

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Table 3---CASH AND ESTIMATED VALUE OF ASSETS ON HAND AS OF
JUNE 30, 1961

Cash	\$137,000,000
General Aniline and Film Corporation (stock).....	129,000,000
Miscellaneous properties and interests in properties	<u>14,000,000</u>
TOTAL	\$280,000,000

PROPERTY NOT INCLUDED IN VALUATION

The Office has under its administration and control various types of vested property (intangible) which has not been included in the valuation of total vested property since it is not practicable to value these properties.

The Office of Alien Property continues to administer a large number of industrial and intellectual properties consisting of patents, copyrights and trademarks, together with contracts and license agreements pertaining thereto.

PATENTS

Patents granted by the United States Patent Office expire 17 years from the date of issue. More than 50,000 patents had been vested in the early years of the war and were under the administration of the Office of Alien Property. Each year a number of these patents expire. The total patents expired and returned to former owners during the fiscal year 1961 is approximately 1100. At the end of the fiscal year the Office held 665 unexpired patents.

The Office has acquired interests in a large number of patents, in addition to those directly vested, through the vesting of foreign interests in patent contracts. As of June 30, 1961 the Office had collected a net total of \$27,329,046.32. Of this amount, \$406,017 was collected during the fiscal year. These payments represent patent royalties.

COPYRIGHTS

The Office has vested thousands of copyrights, claims and rights to copyrights, and the interests of 634 pre-war contracts covering thousands of works. As a result of its licensing program and the administration of pre-war contracts, the Office had collected a total of \$5,252,436.22 in royalties through June 30, 1961. During the fiscal year 1961 the Office received \$87,337.34 from this source.

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As a result of the licensing program for the exploitation of vested copyright works, there were licenses outstanding at the end of the fiscal year 1961 covering approximately 368 scientific books and periodicals. In addition, there were 126 licenses covering the exploitation of vested motion pictures and a number of other licenses covering musical compositions. During fiscal year 1961, 5 new licenses were issued and many outstanding licenses were amended to include additional vested works or to extend the life of the licenses. An additional 35 individual works were licensed during the fiscal year ended June 30, 1961.

TRADEMARKS

The trademark interests held by the Office include trademarks and trade names and the goodwill of the business in the United States with which the marks and names have been used, registrations of trademarks in the United States Patent Office, pre-war contracts relating to trademarks, commercial prints and labels and residual and reversionary rights acquired by enemy nationals through contract or otherwise in trademarks and trade names of American enterprises.

At the close of fiscal year 1961 the Office still held the interests in 265 trademarks and in 8 trademark contracts. The Office has collected over \$2,000,000 in royalties from trademark agreements outstanding at the time of vesting. About \$38,660 had been collected during the fiscal year.

Other programs which are important to the efficient and speedy completion of the administration, liquidation and disposition of alien property include the resolution of intercustodial conflicts pursuant to the Brussels Agreement and the administration of foreign funds, satellite assets and vested Philippine property.

INTERCUSTODIAL

The Office continues to implement the intercustodial agreements reached with Canada, the Netherlands, Norway and Denmark. As of July 1, 1960, 212 conflicts were pending with the Governments of these nations. During the fiscal year 11 of these conflicts were resolved, leaving 201 pending as of June 30, 1961.

FOREIGN FUNDS CONTROL

The World War II blocking controls under Executive Order 8389, as amended, were continued. The controls were maintained over the World War II blocked property of (1) Bulgaria and Hungary and persons in any of these countries on January 1, 1945; (2) Czechoslovakia, Estonia, Latvia and Lithuania and persons in any of these countries on December 7,

1945; and (3) Eastern Germany and the Eastern Sector of Berlin and persons in those areas on December 31, 1946. In general, property acquired by these countries and their nationals after these dates is not blocked.

The Office continued its policy of unblocking by license the blocked assets of persons who have removed from the foregoing countries and have established permanent residence outside such areas. The Office also continued to issue specific licenses permitting the withdrawal and transmittal of not exceeding \$100 per month from blocked assets of residents of blocked countries for the purpose of purchasing food, clothing and medicine.

PUBLIC LAW 285 PROGRAM

Section 202(b) of the International Claims Settlement Act provides for the divesting of property which was vested after December 17, 1941, pursuant to the Trading with the Enemy Act, as amended, and which, at the date of vesting, was owned directly by natural persons who were nationals of Bulgaria, Hungary or Rumania. The Office issued 85 divesting orders under this program during the year. Since the beginning of the program the Office has issued 784 divesting orders whereby a total of almost \$1,000,000 has been divested into blocked accounts in the Treasury or paid directly to former owners.

Pursuant to Section 202(a) of Title II of the International Claims Settlement Act of 1949, the Office issued one vesting order for a total value of \$66,000. The number of vesting orders issued under this program as of June 30, 1961 and the value of the assets vested are as follows:

	<u>Number of Vesting Orders</u>	<u>Value of Assets Vested</u>
Bulgaria	39	\$ 2,639,740
Hungary	140	3,066,791
Rumania	104	21,189,144
Unknown nationals of Bulgaria, Hungary and Rumania	<u>9</u>	<u>50,711</u>
Totals	292	\$ 26,946,386

Pursuant to Section 202(a) and (b) of the International Claims Settlement Act of 1949, as amended, as of June 30, 1961, the following funds have been covered into the Treasury representing the net proceeds of vested Bulgarian, Hungarian and Rumanian assets to be used to pay

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eligible American claimants as provided for under Title III.

Bulgarian Claims Fund	\$ 2,750,868
Hungarian Claims Fund	1,740,680
Rumanian Claims Fund	<u>21,026,116</u>
Total	\$ 25,517,664

Additional funds will be covered into the Treasury as they become available.

PHILIPPINE VESTED PROPERTY

Executive Order 10254 of June 15, 1951, effecting the transfer of the administration of vested property located in the Philippine Islands from the Philippine Alien Property Administration to the Office of Alien Property, stipulated that all necessary expenses incurred in the administration of this property be paid from funds or property or interests so transferred to prevent diminution of funds otherwise available for future transfer to the War Claims Fund. This provision was necessary because the Philippine Property Act of 1946 provided that the proceeds of Philippine vested property, after liquidation and provisions for the disposition of claims and suits, be turned over to the Government of the Philippines.

Pursuant to the provisions of this Act the Attorney General, during the 1961 fiscal year, transferred to the Republic of the Philippines a check for \$2,000,000, drawn on the Attorney General's Philippine Vested Property Fund Account in the United States Treasury. This \$2,000,000 represented the balances on the Philippine vested property books remaining in various accounts, including the accounts of Mitsui Bussan Kaisha and the Imperial Japanese Government, after all claims had been paid against those accounts and expenses recovered from the accounts.

At the end of the fiscal year there was a balance in the Attorney General's Philippine Vested Property Fund Account in the United States Treasury of approximately \$1,120,000. There was also approximately 1,750,000 pesos (\$878,000 at the official rate of exchange of 2 for 1) in his account in the First National City Bank of New York, Manila. The value of the remaining unliquidated assets is negligible.

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ORGANIZATION, FINANCES AND ACCOUNTING

Colonel Dallas S. Townsend in the capacity of Special Assistant to the Attorney General continued as Director, Office of Alien Property, during the first six months of fiscal year 1961, with Mr. Paul V. Myron as Deputy Director. On January 19, 1961 Colonel Townsend retired and Mr. Myron was designated Acting Director.

ORGANIZATION

<u>Administrative Unit</u>	<u>Number of employees as of June 30, 1961</u>
Office of the Director.....	13
Claims Section.....	9
Litigation Section.....	9
Special Litigation Section.....	10
Comptroller's Section.....	6
Overseas Office.....	<u>1</u>
	48

The main office of the Office of Alien Property is in Washington, D. C., with an Overseas Office in Munich, Germany.

FINANCES AND ACCOUNTING

Administrative expenses are financed from funds acquired through the vesting and administration of property under the jurisdiction of the Office. A limit on the amount that may be expended for general administrative expenses each year is established by annual authorization by the Congress. Direct expenses arising from the administration of specific vested properties are not included in this general limitation.

Detailed accounting records on all vested properties and on controlled business enterprises that are in the process of liquidation are maintained by the Comptroller's Section of the Office. An annual audit of the books and records is conducted by a firm of certified public accountants.

Finances

The regular authorization by the Congress for general administrative expenses for the fiscal year 1961 was in the amount of \$650,000 (Public Law 8-678, 86th Congress, approved August 31, 1960).

This authorization was increased by a supplemental appropriation of \$105,000, which included provision for salary increases of \$40,000. The total authorization for fiscal 1961 was in the amount of \$755,000.

Administrative expenses for the 1961 fiscal year totalled \$748,837.51.

Accounting

The report of Peat, Marwick, Mitchell & Company, certified public accountants, on the audit of the books of the Office for the fiscal year ended June 30, 1961, follows:

ACCOUNTANTS' REPORT

Peat, Marwick, Mitchell & Co.
The American Security Building
Washington 5, D. C.

Mr. William H. Orrick, Jr.
Assistant Attorney General, Civil Division
Department of Justice, Washington 25, D. C.

We have examined the accounts maintained by the Comptroller's Section of the Office of Alien Property for the purpose of controlling vested assets and recording accountability therefor for the fiscal year ended June 30, 1961, but we did not review the financial and statistical information and statements which will be contained in the detailed annual report of the Office of Alien Property for such year. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Such examination included test-comparison of assets, recorded at principal balances or nominal amounts, with the vesting orders issued therefor; count of securities and personal property on hand in the Washington, D.C., office of the Office of Alien Property; test-confirmation of vested assets in the custody of others at June 30, 1961; test-check and confirmation of recorded cash receipts; test-examination of vouchers covering administrative expenses and other disbursements; confirmation of balances with the United States Treasury Department and other depositories; and review of procedures followed in the sale, return or other disposition of vested assets during the fiscal year as to compliance with the policies set forth in regulations governing such disposals.

The accounting records of substantially all of the vested enterprises in process of liquidation were maintained by the Office of Alien Property. We reviewed the available accounting records of enterprises so maintained. Our review included check of the reconciliations and confirmation of bank balances in the United States, count or confirmation of securities held in the United States, and review of disposals of assets (other than sales made in the regular course of business) during the fiscal year; but we did not audit the accounts of such enterprises. The accounts of the operating enterprise have been examined by an independent public accountant during the fiscal year. Reports of this independent public accountant have been submitted for our inspection.

In our opinion, the individual exceptions disclosed as a result of our examination for the year ended June 30, 1961 are not regarded as relatively significant.

/s/ Peat, Marwick, Mitchell & Co.

Washington, D. C.
April 1, 1962

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EXHIBIT "A"

**STATEMENT OF ADMINISTRATIVE EXPENSES AND MEANS OF FINANCING
FOR THE PERIOD APRIL 21, 1942 TO JUNE 30, 1961**

Based on administrative expenses and revenues as
recorded on the books at June 30, 1961

	April 21, 1942 to June 30, 1957	July 1, 1957 to June 30, 1958	July 1, 1958 to June 30, 1959	July 1, 1959 to June 30, 1960	July 1, 1960 to June 30, 1961	TOTAL
ADMINISTRATIVE EXPENSES						
Personal services	\$44,852,207.38	\$2,405,502.18	\$2,092,965.36	\$1,150,164.18	\$ 567,027.87	\$51,067,866.97
Travel	1,094,525.48	26,260.19	18,721.73	22,048.07	8,269.49	1,173,824.96
Transportation of things	134,052.05	818.53	29.06	2,254.66	63.65	137,217.95
Communication services	668,336.92	21,786.98	15,909.64	9,824.90	5,863.12	721,721.56
Rents and utilities	3,371,265.86	138,137.22	127,068.93	79,634.46	38,290.83	3,754,397.30
Printing and binding	635,353.77	11,001.65	9,226.46	6,737.40	7,446.39	669,765.67
Other contractual services	2,820,457.26	164,027.05	154,746.50	91,226.65	85,629.28	3,316,086.74
Supplies and materials	581,880.29	17,482.02	7,949.83	4,162.17	918.49	612,392.80
Equipment	566,497.55	776.72	297.10	- 0 -	- 0 -	567,571.37
Refunds, awards and indemnities	3,640.00	- 0 -	500.00	500.00	- 0 -	4,640.00
F.I.C.A. contributions	14,133.06	1,527.32	441.38	456.78	268.69	16,827.23
Grants, subsidies and contributions	- 0 -	141,827.99	129,382.94	69,915.57	35,059.70	376,186.20
Total Expenses	\$54,746,349.62	\$2,929,147.85	\$2,557,238.93	\$1,436,924.84	\$ 748,837.51	\$62,418,498.75
MEANS OF FINANCING						
Administrative Revenues and Recoveries						
Recoveries of expenses from vested enterprises and other properties	\$ 448,107.62	\$ 7,576.58	\$ 6,691.70	\$ 14,213.91	\$ 4,952.46	\$ 481,542.27
Received under periodical republication program	239,229.81	- 0 -	- 0 -	- 0 -	- 0 -	239,229.81
Reimbursement of expenses incurred for representing persons residing behind enemy lines in court or administrative proceedings, vested under Section 5 of Executive Order 9193	345,839.36	(195.16)	(1,409.00)	(63.00)	(75.00)	344,097.20
World War I administrative deductions and expenses recovered	216,800.79	- 0 -	- 0 -	- 0 -	- 0 -	216,800.79
License fees and sales of patent catalogs and abstracts	377,451.73	434.75	347.45	181.95	72.26	378,488.14
Philippine vested property expenses to October 13, 1946 recovered from Philippine Alien Property Administration	124,214.14	- 0 -	- 0 -	- 0 -	- 0 -	124,214.14
Administrative expense subsequent to June 29, 1951 recovered from Philippine Vested Property Fund	61,601.98	- 0 -	- 0 -	- 0 -	- 0 -	61,601.98
Conservatory and administrative expenses recovered from vested accounts upon payment of claims and transfers of free account balances to War Claims Fund and to the Bulgarian, Hungarian and Rumanian Claims Funds	38,240,038.40	6,572,249.70	4,450,321.13	5,173,616.95	5,007,182.72	59,443,408.90
Expenses charged to Vested Satellite Assets Fund	148,973.82	59,613.44	25,730.09	1,649.10	1,003.24	236,969.69
Miscellaneous receipts	125,595.53	5,925.20	7,613.36	8,666.41	4,107.19	151,907.69
Total Revenues and Recoveries	\$40,327,853.18	\$6,645,604.51	\$4,489,294.73	\$5,198,265.32	\$5,017,242.87	\$61,678,260.61
World War I Administrative Expense Fund made available by Executive Order 9142	4,063,088.71	- 0 -	- 0 -	- 0 -	- 0 -	4,063,088.71
World War II Vested Property Fund	10,355,407.73	(3,716,456.66)	(1,932,055.80)	(3,761,340.48)	(4,268,405.36)	(3,322,850.57)
Total	\$54,746,349.62	\$2,929,147.85	\$2,557,238.93	\$1,436,924.84	\$ 748,837.51	\$62,418,498.75

() Denotes Red Figure

EXHIBIT B

INFORMATION REQUIRED BY PUBLIC LAW 859^{1/}

Claims Filed as of June 30, 1961^{2/}

Claim No.	Date of Filing	Claimant's Name	Enemy Nationality	Book Valuation
57214	3-24-50	James Tetsuya Hatada	Japanese	\$ 355.30
62231/2	7-22-53	Dr. Hans Grauert Individually and as natural guardian of Peter C.A. & Hans H. Grauert, Minors	German	63,948.00
62724	6- 9-54	Kikue Yonemoto Mende	Japanese	8,755.00
67018	10-24-60	Isami Nozuka	Japanese	<u>2,023.82</u>
			Subtotal	\$ 75,082.12
			Total as of June 30, 1960	<u>8,386,920.87</u>
			Total as of June 30, 1961	\$8,462,002.99

1/ 81st Cong., 2d Sess., approved September 29, 1950; 64 Stat. 1080, 50 U.S.C. App. Sec. 32 Public Law 378, 82d Cong., 2d Sess., approved June 6, 1952 (66 Stat. 129, 50 U.S.C. App. Sec. 32), amended Public Law 859 by raising the value of returnable property in total under Public Law 859 from \$5,000,000 to \$9,000,000 and by defining the term "value" as the value, at the time of vesting, of the property entered on the books of the Office of Alien Property.

2/ Claims filed as of June 30, 1961 as listed above, are in addition to those listed in the Annual Reports, Office of Alien Property, Department of Justice, fiscal year ended June 30, 1951, Appendix, Exhibit G, pp. 164-166, fiscal year ended June 30, 1952, Appendix, Exhibit G, p. 119, fiscal year ended June 30, 1953, Appendix, Exhibit F, p. 148, fiscal year ended June 30, 1954, Appendix, Exhibit F, p. 107, fiscal year ended June 30, 1955, Appendix, Exhibit F, p. 118, fiscal year ended June 30, 1956, Appendix, Exhibit F, p. 113, fiscal year ended June 30, 1957, Appendix, Exhibit G, p. 125, fiscal year ended June 30, 1958, Appendix, Exhibit G, p. 102, fiscal year ended June 30, 1959, Appendix, Exhibit B, p. 21, and fiscal year ended June 30, 1960, Appendix, Exhibit B, p. 26.

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EXHIBIT B - CONCLUDED

Claims Allowed as of June 30, 1961 ^{3/}

Claim No.	Return Order	Date Executed	Claimant's Name	Enemy Nationality	Book Valuation
57214	4155	7- 6-60	James Tetsuya Hatada	Japanese	\$ 355.30
62231/2	4168	9-12-60	Dr. Hans Grauert Individually and as natural guardian of Peter C.A. and Hans H. Grauert, minors	German	63,948.00
62724	4195	4-20-61	Kikue Yonemoto Mende	Japanese	8,755.00
67018	4179	12-9-60	Isami Nozuka	Japanese	<u>2,023.82</u>
				Subtotal	\$ 75,082.12
				Total as of June 30, 1960	<u>4,922,284.28</u>
				Total as of June 30, 1961	\$4,997,366.40

3/ The claims allowed listed above are those in which return orders were executed on or prior to June 30, 1961, although in some instances the property was not actually returned to the claimant until after that date. They are in addition to those listed in the Annual Reports, Office of Alien Property, Department of Justice, fiscal year ended June 30, 1951, Appendix, Exhibit G, p. 107, fiscal year ended June 30, 1952, Appendix, Exhibit G, pp. 119-120, fiscal year ended June 30, 1953, Appendix, Exhibit F, pp. 149-150, fiscal year ended June 30, 1954, Appendix, Exhibit F, pp. 107-108, fiscal year ended June 30, 1955, Appendix, Exhibit F, p. 119, fiscal year ended June 30, 1956, Appendix, Exhibit F, pp. 114-115, fiscal year ended June 30, 1957, Appendix, Exhibit G, p. 126, fiscal year ended June 30, 1958, Appendix, Exhibit G, p. 103, fiscal year ended June 30, 1959, Appendix, Exhibit B, p. 22 and fiscal year ended June 30, 1960, Appendix, Exhibit B, p. 27.

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