

DOJ
KF
5106
.U548
A398
1964

Annual Report

OFFICE OF

ALIEN PROPERTY

DEPARTMENT OF JUSTICE

FISCAL YEAR ENDED JUNE 30, 1964

324859

DOJ
KF
510
10/5
128
12

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, 1964. This report is made pursuant to section 6 of the Trading with the Enemy Act, as amended.

Respectfully,

Nicholas deB. Katzenbach
Attorney General

LETTER OF TRANSMITTAL TO THE ATTORNEY GENERAL

Office of Alien Property
Department of Justice
Washington, 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, 1964. This is the twenty-second 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,

JOHN W. DOUGLAS
Director, Office of Alien Property

324861

CONTENTS

	<u>Page</u>
Letter of Transmittal to the President.....	i
Letter of Transmittal to the Attorney General.....	ii
Policies and Programs.....	1
Value of Vested Property.....	2
Vested Property Accounts.....	3
Administration and Liquidation of Vested Property.....	4
General Aniline & Film Corporation.....	5
Estates, Trusts and Insurance Contracts.....	9
Intercustodial Disputes with Foreign Countries.....	9
Patents, Copyrights and Trademarks.....	10
Disposition of Vested Properties.....	12
Suits and Other Judicial Proceedings.....	12
Administrative Claims.....	14
Satellite Assets Program under Public Law 285.....	17
Foreign Funds Control.....	17
Philippine Vested Property.....	19
Organization.....	19
Finances and Accounting.....	19
Accountants' Report.....	20

APPENDIX

Exhibit A - Administrative Expenses and Means of Financing for the Period April 21, 1942 to June 30, 1964.....	22
Exhibit B - Information Required by Public Law 859, Claims Filed and Allowed as of June 30, 1964 (dual nationals).....	23

LIST OF TABLES

Table

1. Cumulative Statement of Cash Receipts and Disbursements as of June 30, 1964.....	2
2. Cash and Estimated Value of Assets on Hand as of June 30, 1964.....	3
3. Disposition of Vested Property.....	16

324862

ANNUAL REPORT
OF
OFFICE OF ALIEN PROPERTY
DEPARTMENT OF JUSTICE
FOR
FISCAL YEAR ENDED JUNE 30, 1964

POLICIES AND PROGRAMS

The Office of Alien Property is charged with the responsibility of completing the administration, liquidation and disposition of the remaining vested property of the United States.

To the extent possible, vested property is reduced to cash by sale or liquidation at the earliest practicable date. Pending its sale or disposition, the property is administered in the national interest in a manner designed to conserve and increase its value.

The disposition of the proceeds of the sale or liquidation of vested property has been determined by the Congress through the enactment of various amendments to the Trading with the Enemy Act. Section 32 permits return to certain non-hostile persons; Section 34 provides for the payment of debt claims to American creditors of enemy nationals; Section 39 directs the transfer of the net proceeds of all German and Japanese property to the War Claims Fund; Sections 40, 41 and 42 divest the Attorney General's interest in all remainders that had not vested in possession by the end of 1961, in unaccrued installments of income from estates, trusts, annuities and similar properties, and in all copyrights and trademarks not previously returned or disposed of.

The processing and adjudication of title and debt claims and the prosecution and defense of lawsuits in the Federal and state courts continued to be the major duties of the Office during the year. Other important programs included the sale and liquidation of vested assets, the supervision and issuance of notices of divestment of vested interests in estates and trusts, the resolution of intercustodial conflicts pursuant to the Brussels Intercustodial Agreement, and the transfer of the unclaimed balances in German and Japanese accounts into the War Claims Fund.

In addition to administering and disposing of property vested under the Trading with the Enemy Act, as amended, the Office administers the "Satellite Assets" program and maintains jurisdiction over certain assets in the United States of "Iron Curtain" countries and their nationals which remain subject to the blocking and licensing controls of World War II. The Philippine Property program was terminated during the year and all remaining funds under the control of the Office were transferred to the Republic of the Philippines.

324863

VALUE OF VESTED PROPERTY

As of June 30, 1964, the cumulative total of cash receipts from vested property amounted to approximately \$531,000,000. After deductions for administrative expenses, taxes, payment of title and debt claims and cumulative total advances of \$304,250,000 to the War Claims Fund, there remained in the United States Treasury at the end of the fiscal year a balance of approximately \$48,000,000, as shown in Table 1, which follows:

TABLE 1

CUMULATIVE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
AS OF JUNE 30, 1964

<u>CASH RECEIPTS</u>	
Cash receipts from vested property:	
Principal	\$446,986,810.02
Income	<u>81,735,894.90</u>
	\$528,722,704.92
Cash receipts from non-vested property	2,119,464.98
Expenses recovered from Satellite Assets Fund	<u>236,969.69</u>
Total Receipts	<u>\$531,079,139.59</u>
<u>CASH DISBURSEMENTS</u>	
Transfers to War Claims Commission and its successor, Foreign Claims Settlement Commission	\$304,250,000.00
Payment of title and debt claims, Sec. 9(a) suits and compromise settlements	65,565,334.30
Administrative expenses	60,158,148.93
Direct expenses, taxes, repairs, intercustodial payments, war production royalties, travel, etc.	51,187,736.58
Cash transferred to U.S. Treasury under Sec. 202(b) of International Claims Settlement Act	<u>1,613,869.24</u>
Total Disbursements	\$482,775,089.05
Balance June 30, 1964	<u>\$ 48,304,050.54</u>

324864

In addition to the cash in the U.S. Treasury, the Office was administering unliquidated property, consisting of the vested stock of General Aniline & Film Corporation with a book value of \$151,000,000 and miscellaneous property interests estimated to be worth about \$7,000,000. Also, through the years the Office has returned to title claimants and successful litigants unliquidated property valued at approximately \$33,000,000. Thus, the value of all property vested, including the increment thereon, reached a grand total of about \$721,000,000.

At June 30, 1964, there still remained under the control of the Office property estimated to be worth \$206,000,000, as shown in Table 2 below:

TABLE 2

CASH AND ESTIMATED VALUE OF ASSETS ON HAND
AS OF JUNE 30, 1964

Cash	\$ 48,000,000
General Aniline & Film Corporation (stock).....	151,000,000
Miscellaneous properties and interests in properties.....	<u>7,000,000</u>
TOTAL	\$206,000,000

VESTED PROPERTY ACCOUNTS

Individual accounts are set up on the books of the Office in the name of the pre-vesting owner. These accounts reflect the property vested, together with the cash realized therefrom.

As cash is received, it is deposited in the U.S. Treasury in an account established for the Office and is credited on the books of the Office to the individual accounts of the pre-vesting owners.

Pursuant to the provisions of Section 39 of the Trading with the Enemy Act, as amended, the Office is required to cover into the War Claims Fund in the Treasury the cash balances in all vested German and Japanese accounts as they become free from claims and litigation.

At the time Section 39 was added to the Trading with the Enemy Act, as amended, the War Claims Commission, now the Foreign Claims Settlement Commission, was established by the War Claims Act of 1948 and authorized to make adjudications and awards on certain classes of World War II claims, primarily those of American prisoners of war and civilian internees mistreated by the enemy during their imprisonment. The administrative expenses of the War Claims Commission and the awards which the Act authorized were to be paid out of the War Claims Fund.

At the request of the War Claims Commission and the Foreign Claims Settlement Commission, the Office advanced to the War Claims Fund sums aggregating \$304,250,000. These advances were made before the administration of the German and Japanese property had been completed and were based on estimates that this amount would be recoverable from the net proceeds of German and Japanese accounts as they became free from claims and litigation.

At the end of the fiscal year, 30,082 such accounts had been closed and balances totalling some \$239,000,000 had been applied against these advances.

The remaining German and Japanese vested property is recorded in 2,600 accounts, containing cash and unliquidated property estimated to be worth about \$260,000,000. When the entire \$304,250,000 in advances has been recovered, the net balances available in the remaining accounts will then be covered directly into the War Claims Fund in the Treasury.

In addition to the German and Japanese accounts, there are some 700 accounts of other nationals with cash and unliquidated property valued at about \$8,000,000 which will be disposed of either through returns of property to eligible claimants, by transfer to the Treasury Department pursuant to Public Law 285, 84th Congress, or otherwise.

ADMINISTRATION AND LIQUIDATION OF VESTED PROPERTY

Vested property is liquidated or sold as soon as practicable after vesting. The general policy of the Office, however, has been not to sell patents, copyrights, trademarks and property of nationals of countries other than Germany and Japan. Furthermore, under the injunctive provisions of Section 9(a) of the Trading with the Enemy Act, the Office may not sell or liquidate vested property against which a suit for return is pending.

In fiscal 1964 the Office collected 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 \$2,392,726.37. Of this amount \$1,635,425.93 came from distributions and income from vested interests in estates, trusts and insurance contracts, \$238,989.68 from the sale of real estate, \$129,401.23 from the liquidation of business enterprises, and \$388,909.63 from the sale of miscellaneous securities and other items.

At the end of the fiscal year, in addition to the stock of General Aniline & Film Corporation, some \$7,000,000 worth of miscellaneous property had not been reduced to cash. The remaining patents, copyrights and trademarks which have not been divested pursuant to Public Law 87-846, approved

324866

October 22, 1962 or Public Law 87-861, approved October 23, 1962, carried at a nominal value of \$1.00 each, are not included in the miscellaneous property valuations.

Administration of General Aniline & Film Corporation

The sole remaining company in active operation under the supervision of the Office of Alien Property is General Aniline & Film Corporation, a diversified and growing industrial entity which in the last twenty years has nearly quadrupled its net worth.

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 Common "B" capital stock of the Corporation.

Ninety-three per cent of the vested stock is involved in a suit brought under Section 9(a) of the Trading with the Enemy Act, as amended. Pursuant to Section 203 of Public Law 846, 87th Congress, the Attorney General announced on March 3, 1963 that an agreement in principle had been entered into which will permit the Government to sell the vested stock in General Aniline & Film and to settle the litigation brought by Societe Internationale, etc. (I. G. Chemie) for the recovery of the stock.

As the principal stockholder, the Attorney General votes his stock to elect a Board of Directors, which in turn selects management to operate the Company.

At June 30, 1964, the Board of Directors was composed of the following members: Harold E. Clancy, Frank E. DeLuca, Francis A. Gibbons, Bailey K. Howard, Joseph N. Lyons, Mathew Manes, Wm. Peyton Marin, Frank Markoe, Jr., Thomas A. Morgan, Andrew F. Oehmann, Charles F. Preusse, Peter J. Reidy, Ross D. Siragusa, John J. Smith, John I. Snyder, Jr., Jesse Werner and S. H. Williams.

Mr. S. H. Williams was elected Director on February 2, 1964 to succeed the late Paul V. Myron. Mr. Albert Conway resigned as a Director on April 14, 1964.

Mr. R. M. Verburg resigned as Vice President on May 27, 1964.

The Operation of General Aniline & Film Corporation

The executive offices of the Company are located in New York City and operations are conducted through two divisions.

Dyestuff and Chemical Division

Products include: Dyestuffs and pigments for textiles, paper, leather, paint and plastics; intermediates for the dye, pharmaceutical and chemical

324867

Estates, Trusts and Insurance Contracts

When interests in estates and trusts are vested, the Attorney General succeeds to the rights of the former owners. It is the responsibility of the Office, therefore, to make certain that distribution of the assets by the administrator, executor, trustee or other fiduciary is correct and in conformity with the terms of the will, agreement, trust instrument or court decree.

Section 205, Title II, of Public Law 87-846, approved October 22, 1962, divested interests in estates, trusts, insurance contracts, etc., which were not payable or deliverable to the Attorney General, nor vested in possession in him, prior to December 31, 1961. It requires the Attorney General to give notice of divestment to former owners or custodians of the divested interests. The notice cannot be given until the files containing the facts relating to divestment are brought up to date. Each affected estate or trust must be reviewed to determine whether the interest has been retained or divested, and information respecting the named beneficiaries' criminal records must be obtained, since the statute prohibits divestment in favor of war criminals.

During the fiscal year the Office completed its administration of the vested interests in 219 estates, trusts and insurance policies, of which 158 required issuance of notices of divestment. There remain 180 open interests in cases of this type.

With the \$1,635,425.93 received during the fiscal year from distributions and income from estates, trusts and insurance contracts, the total receipts of the Office from this category are over \$60,000,000.

Intercustodial Disputes with Foreign Countries

During World War II the principal allied governments established programs seizing enemy assets within their jurisdictions. As a result of such seizures many jurisdictional problems involving conflicting claims to the same asset have arisen among Enemy Property Custodians of the allied governments. In order to settle such intercustodial conflicts amicably and without litigation, the Attorney General and the Secretary of State have been jointly authorized to conclude and implement agreements between the United States and foreign governments.

Under agreements made with Canada, Denmark, the Netherlands and Norway, pursuant to Public Law 81-857 and Executive Order No. 10244 (May 17, 1951), provision was made for the division of external German assets claimed by two or more allies. The conflicts involved millions of dollars worth of property, consisting of securities issued in one allied country but physically located in another, business enterprises international in

character, and bank accounts involving deposits in one allied country against which the bank of deposit has set up an account in a bank in another country to cover its liability in the currency of the latter country.

During fiscal year 1964, 75 conflicts with foreign countries were settled, leaving at the end of the fiscal year 74 still to be resolved. In one such conflict which we have with the Netherlands, we are claiming approximately \$600,000. Another involves about \$6,000,000 which we vested and of which the Netherlands claims half.

Patents, Copyrights and Trademarks

The Office of Alien Property has under its control and administration a large number of industrial and intellectual properties, consisting of patents copyrights and trademarks, together with contracts and license agreements relating thereto.

Patents

More than 50,000 patents were vested during World War II. Patents granted by the United States Patent Office expire seventeen years from date of issue. As a result, a number of patents controlled by the Office expire each year. The remaining unexpired patents are a very small fraction of those originally vested.

Copyrights

As a result of an amendment to the Trading with the Enemy Act (Public Law 87-846, 76 Stat. 1115), which became effective on January 21, 1963, the rights and interests of the Attorney General in foreign copyrights and pre-vesting copyright contracts were divested as a matter of grace, and rights in licenses granted by the Alien Property Custodian or the Attorney General were transferred to the persons entitled thereto. Copyright interests in certain literary works by high-ranking Nazi officials were excepted, including Mein Kampf, by Adolf Hitler; the Diaries of Paul Joseph Goebbels; Memoirs of Alfred Rosenberg; Otto Skorzeny's Secret Missions; and the extensive Photographic Collection of Heinrich Hoffmann, official photographer of the NSDAP. Also excepted was the scientific German motion picture, Meiosis-In the Sperm Cells of the Grasshopper, psophus stridulus L, which is exclusively licensed for educational purposes until December 31, 1967.

No new licenses have been granted since the effective date of the divestment of the Attorney General's interest in copyright properties, but there are 6 pending applications for licenses to publish or otherwise utilize a limited number of the Hoffmann photographs.

All unpaid royalties or other income which accrued prior to the day of divestment on vested copyrights and pre-vesting copyright contracts are

payable to the Attorney General. As a result, the Office has collected some \$5,558,000 as of June 30, 1964, of which \$19,482 was received during the fiscal year.

A further amendment to the Act (Public Law 87-861, 76 Stat. 1140), approved October 23, 1962, authorized and directed the Attorney General to transfer to the Library of Congress the title to (1) all vested motion picture prints in the custody of the Library of Congress and (2) subject to the right of selection by the Library of Congress, all vested prints in the custody of the Attorney General, with the exception of prints subject to suits or claims under Section 9(a) or Section 32 of the Act. During the fiscal year, Library of Congress personnel, with the cooperation of this Office, completed the selection of prints in the custody of the Attorney General, and the prints so selected were shipped from the Attorney General's rented film storage vaults in New York to the Library of Congress vaults in Suitland, Maryland.

As of April 1, 1964, title to all vested prints in the custody of the Library of Congress and all vested prints selected from the Attorney General's holdings had been transferred to the Librarian of Congress by appropriate instruments. None of the prints so transferred was subject to suits or claims under Section 9(a) or Section 32 of the Act. An estimated 25 million feet of film was involved in these transfers.

Trademarks

The trademark interests held by the Office included trademarks and trade names and the goodwill of businesses 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 contracts or otherwise in trademarks and trade names of American enterprises.

Pursuant to Public Law 87-861, enacted October 23, 1962, all remaining vested trademarks were divested to their former owners. The statute provided, however, that to the extent such vested trademarks were originally owned by persons in what is now the Eastern Zone of Germany or the Eastern Sector of Berlin, the effective date of divestment would be that date upon which the Secretary of State certified by publication in the Federal Register that the German equivalent of the mark was now owned by a person in the Western Zone of Germany. As of June 30, 1964 only 30 marks remained which have not been so certified.

Royalties to date from trademark agreements outstanding at the time of vesting totalled \$2,138,378, of which \$674 was collected during the fiscal year.

324870

DISPOSITION OF VESTED PROPERTIES

A very substantial part of the remaining German and Japanese property is involved in suits and proceedings in various Federal and state courts in the United States, or in administrative claims under procedures for processing and disposition which comply generally with the Administrative Procedure Act. To the extent that the Government is successful in this litigation and that administrative claims are denied, these funds will become available for transfer to the War Claims Fund.

Suits and Other Judicial Proceedings

The Office of Alien Property represented the Attorney General in judicial proceedings in various Federal courts throughout the United States during the fiscal year. These proceedings included 47 cases carried over from fiscal 1963 and 5 new cases which were filed in the courts during fiscal year 1964. Of the total of 52 cases, 24 were closed during fiscal 1964, leaving 28 cases pending at the end of the fiscal year. These figures include cases involving title to property, and the debt claims cases against pre-vesting owners of property described immediately below.

Included in the above Federal court cases on July 1, 1963 were 10 complaints for review under Section 34 of the Trading with the Enemy Act pending in the United States District Court for the District of Columbia and one Section 34 complaint and one complaint under Section 208 of the International Claims Settlement Act of 1949, as amended, pending in the United States Court of Appeals for the District of Columbia. Two new Section 34 complaints for review were filed during the 1964 fiscal year. During the year four Section 34 complaints for review in the District Court were terminated as was the Section 208 complaint in the Court of Appeals. Certiorari was granted by the Supreme Court with respect to the Section 34 complaint in the Court of Appeals (Aratani v. Kennedy, Civil Action No. 3164-58). Thus, as of June 30, 1964, one Section 34 complaint for review was pending in the Supreme Court, and eight Section 34 complaints were pending in the District Court. However, a compromise settlement of yen deposit debt claims approved by Judge Leonard P. Walsh on May 18, 1964, in the District Court, will terminate on or about January 1, 1965 the complaint in the Supreme Court and three of the complaints in the District Court.

The Office also represented the Attorney General in 78 estates and trusts cases in various state courts throughout the United States. All of these cases were carried over from the previous fiscal year, and 39 cases were terminated. There were no new state court cases. At June 30, 1964, there were 39 cases pending in the state courts.

Some of the most important cases in litigation during the year were: Societe Internationale, etc. (I. G. Chemie, also known as Interhandel) v. Kennedy, et al. (U.S.D.C.D.C.). This was an action brought under Section 9(a)

324871

of the Trading with the Enemy Act to recover approximately 93% of the stock of General Aniline & Film Corporation. Negotiations for the settlement of this litigation proceeded through the year and finally led to a stipulation of settlement between the parties which was submitted to the court. The settlement provides for sale by the Government of the stock to which Interhandel claimed title, and a split of the proceeds according to a plan by which the Government would first receive about 11% of the proceeds on account of shares being sold which Interhandel did not claim, while the remaining 89% would be divided equally after the United States had first deducted all of the expenses of sale. Interhandel would then yield from its 50% share amounts of \$17,500,000 for taxes and about \$6,400,000 for shares of Interhandel which the Government will return to Interhandel.

More than 1700 intervenors who held shares of Interhandel were requested to consider whether they would consent to the settlement. The result was that about 1650 consented to it and their complaints were dismissed voluntarily, leaving about 60 intervenors still in the case. After several hearings the court declared on April 15th that the compromise did not require its express approval, and that the rights of any intervenors who did not consent to the settlement were not adversely affected, since a number of GAF shares representative of these intervenors' interests were to be withheld from the sale. The court also dissolved an injunction which had prohibited any change in the capital structure of General Aniline & Film Corporation, thus removing an obstacle to a planned reclassification of the stock as a preliminary to the sale which is scheduled for the early part of 1965.

Von Clemm, et al. v. Kennedy (U.S.D.C. S.D.N.Y.). This proceeding was brought under Section 9(a) of the Trading with the Enemy Act. Plaintiffs are an American citizen and a partnership engaged in importing transactions, principally importing diamonds, semi-precious and synthetic stones from Europe. Plaintiffs are suing under the Trading with the Enemy Act for approximately 1-1/2 million dollars realized by the Government from the seized property. In 1942, the plaintiff von Clemm was convicted of conspiracy to violate the Presidential Freeze Order relating to Belgium and the Netherlands. Principle questions in the case are whether plaintiffs' activities were such as to render them ineligible to sue under the Trading with the Enemy Act. Also involved are questions as to the pre-vesting ownership of the vested property. Various individuals have intervened as parties defendant, under the principle established in Kaufman v. Societe Internationale, 343 U.S. 156. The six week trial of this action was completed on the last day of the fiscal year.

Roboz & Vincze v. Kennedy (U.S.D.C.D.C.). This is an action arising under the International Claims Settlement Act of 1949 involving \$492,000 seized by the Attorney General of the United States as property of the Hungarian Government. The plaintiffs are a woman and her son, both being American citizens who were in Hungary at the outbreak of World War II. They allege

the property was the property of the woman's husband, a deceased Hungarian national. The Attorney General maintains the property was the property of the Hungarian Government.

Both the plaintiffs and the Attorney General are planning to take depositions as well as exchange documents in preparation for trial of this action. A pretrial of the action is expected in the near future.

Aratani, et al. v. Kennedy (United States Supreme Court); Sumiyoshi, et al. v. Kennedy; Shigeno v. Kennedy; Abe, et al. v. Kennedy (U.S.D.C.D.C.). These class actions were brought under Section 34(f) of the Trading with the Enemy Act, as amended, to review the partial dismissal of 2,963 debt claims based on yen deposits in the American branches of the Sumitomo Bank, Ltd. and the Yokohama Specie Bank, Ltd. The claims had been allowed at the post-war yen dollar rate of exchange of 361.55 yen to the dollar, totaling, including interest, \$168,587.46, while the plaintiffs contended that the pre-war rate of exchange of \$.234 per yen was applicable, which would total \$15,433,805.41, including interest.

The Aratani case involving the Sumitomo Bank, Ltd. was the pilot case in this litigation. Proceedings in the other three cases were postponed pending the outcome of the Aratani case. The Court of Appeals on March 28, 1963, affirmed the judgment of the District Court dismissing the complaint in the Aratani case, 317 F. 2d 161. However, on October 21, 1963, the Supreme Court granted certiorari, 375 U.S. 877. Settlement negotiations were then intensified and on May 18, 1964, Judge Leonard P. Walsh in the United States District Court for the District of Columbia approved a compromise settlement whereby the sum of \$1,213,808.44, representing the entire proceeds of the account of the Sumitomo Bank, Ltd. in this Office, was to be paid to the Sumitomo claimants and their attorneys, and the sum of \$5,181,549.12 was to be paid to the Yokohama Specie Bank, Ltd. claimants and their attorneys. Attorneys' fees of 20% were approved by the Court. Payment is expected to be completed by December 31, 1964.

Administrative Claims

The administrative return of vested property is authorized by Section 32 of the Trading with the Enemy Act, as amended. Generally speaking, vested property can be returned to non-enemy governments, citizens of allied and neutral countries not voluntarily resident in enemy countries during the war period, corporations of non-hostile countries that are not enemy controlled, certain American citizens regardless of their residence during the war, enemy citizens who continuously resided outside enemy or enemy-occupied territory since December 7, 1941 and who were not engaged in business in such territory, victims of enemy persecution who would otherwise be ineligible because of enemy citizenship or residence in enemy territory and the government, nationals and residents of Italy who were previously ineligible because of their earlier enemy status.

324873

Section 34 permits the payment of certain debt claims to creditors of the former enemy owners of vested property. Such creditors must be citizens of the United States or the Philippine Islands or residents of this country since December 7, 1941. Debt claims against property subject to a title claim or Section 9 suit are not generally paid until the title claim or suit has been terminated. Upon the allowance of a title claim under Section 32 to a non-resident or to a foreign corporation, notice of intention to return must be published in the Federal Register at least 30 days prior to making the return. During this period, creditors of title claimants may attach the property.

As of June 30, 1964, there had been filed with the Office of Alien Property a total of 67,552 claims of which 19,868 were title claims and 47,684 were debt claims. At the start of the 1964 fiscal year, there remained to be processed 2,185 title claims and 189 debt claims. Of the 2,185 title claims, 1,840 were Kaufman-type intervenor claims corresponding to the interventions in the lawsuit involving the General Aniline & Film Corporation stock. 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 \$89,300,000, as shown in Table 3. This total includes cash payments of about \$56,300,000 and appraisable property valued at about \$33,000,000.

The Office processed 186 title claims during the 1964 fiscal year, which resulted in a return to former owners of \$493,000 in cash, plus various interests in property of unappraisable nature, such as tangible personal property and interests in real property. The Kaufman-type intervenor claims were reduced to 127 claims by withdrawals during the fiscal year.

Ninety-seven dismissed title claims were reopened during fiscal 1964 for further consideration under the Austrian Assets Agreement of January 30, 1959, which became effective on May 19, 1964. The Agreement authorizes the return of vested property determined to be Austrian within one year from the effective date of the Agreement. It is anticipated that at least 50 additional claims will be reopened within the period of limitation. In addition, the decision of the Supreme Court in Schneider v. Rusk (May 18, 1964) nullifying Section 352(a)(1) of the Immigration and Nationality Act of 1952 may result in the reopening of a number of the many claims filed by naturalized American citizens who were expatriated under Section 404(b) of the Nationality Act of 1940 because of prolonged residence abroad. These claims were dismissed on the ground of ineligibility under applicable provisions of Section 32 of the Act.

During fiscal year 1964, 173 debt claims were disposed of administratively. Of these, 2 were allowed in the total sum of \$7,665.00, one of which was for attorneys' fees and the other for the refund of a travel deposit. The remaining 171 debt claims, mostly based on copyright royalties, totalling approximately \$100,000 were disallowed or withdrawn. During the fiscal year, a Final Schedule and a Payment Order were issued for three allowed claims, totalling \$4,632.96, of the British and Hungarian Bank, Ltd. (Satellite Vesting). In addition, payment orders were issued as follows:

324874

<u>Debtor</u>	<u>Number of Claims</u>	<u>Amount of Payments</u>
Dresdner Bank	28	\$ 60,898.06
Commerz Bank	14	98,189.19
Deutsche Bank	32	115,353.84
Spanner Group	2	25,000.00
Sumitomo Bank, Ltd.	5 "dollar" claims	4,642.44

Pursuant to the compromise settlement of yen deposit claims approved on May 18, 1964 by Judge Leonard P. Walsh in the United States District Court for the District of Columbia, four payment orders were issued during the fiscal year for the payment of \$1,213,808.44 to 1,132 Sumitomo Bank, Ltd. claimants and their attorneys and of \$5,181,549.12 to 1,804 Yokohama Specie Bank, Ltd. claimants and their attorneys.

Table 3, 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 3
DISPOSITION OF VESTED PROPERTY

Total vested property including value at date of vesting plus appreciation.....	\$721,000,000
LESS:	
Property returned to non-hostile persons.....	\$ 89,300,000
Debt claims paid.....	8,090,000
Funds transferred to War Claims Fund.....	304,250,000
Funds transferred to the Treasury	
Department pursuant to Lombardo and	
Reverse Lend-Lease Agreements.....	1,410,000
Settlements pursuant to Private Laws.....	358,000
Funds transferred into Treasury under	
Section 202(b) of Public Law 285.....	732,000
Funds divested and covered into Treasury	
or paid direct to individuals under	
Section 202(b) of Public Law 285.....	1,027,000
Cash and other property transferred to foreign	
governments per intercustodial agreements...	12,831,000
Direct expenses not allocated to specific	
types of property.....	36,753,000
Conservatory and administrative expenses.....	60,249,000
Total Deductions.....	\$515,000,000
Property remaining June 30, 1964.....	\$206,000,000

324875

SATELLITE ASSETS PROGRAM UNDER PUBLIC LAW 285

Section 202(b) of Title II of the International Claims Settlement Act of 1949, as amended, provided 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. Since the beginning of the program, the Office has issued 828 divesting orders whereby a total of more than \$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 the Office had issued, as of June 30, 1964, 292 vesting orders with a value of \$26,672,316, as follows:

	<u>Number of Vesting Orders</u>	<u>Value of Assets Vested</u>
Bulgaria	39	\$ 2,645,960
Hungary	140	2,786,501
Rumania	104	21,189,144
Unknown nationals of Bulgaria, Hungary and Rumania	<u>9</u>	<u>50,711</u>
Total	292	\$ 26,672,316

Pursuant to Sections 202(a) and (b) of the Act, 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 eligible American claimants as provided under Title III of the Act.

Bulgarian Claims Fund	\$ 2,589,853
Hungarian Claims Fund	1,478,225
Rumanian Claims Fund	<u>21,048,176</u>
Total	\$ 25,116,254

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

FOREIGN FUNDS CONTROL

The operation of the foreign funds control program was transferred to the Office of Alien Property from the Treasury Department in 1948. The purpose of the program, which is a part of the foreign policy of the United States, is to deny money or property to persons in countries behind the Iron Curtain which have refused to make financial settlements with Americans who suffered damage because of the war or because of the nationalization of property in these countries.

324876

On this basis, the World War II blocking controls under Executive Order No. 8389, as amended, are continued over the wartime assets of Iron Curtain countries and their nationals. These controls are maintained over the World War II blocked property of (1) Hungary and persons in that country on January 1, 1945; (2) Czechoslovakia, Estonia, Latvia and Lithuania and persons in any of those 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.

On July 2, 1963, the United States and Bulgaria concluded an agreement settling the outstanding financial questions between the two countries. As a result of this action, the assets of Bulgaria and nationals thereof in the United States were unblocked by the issuance of an amended version of General License No. 101 deleting Bulgaria and its nationals from the operation of Executive Order 8389, as amended.

Since this program relates to property that was owned by persons in blocked territory during World War II, many of the original owners have died and the property has become payable to their heirs, distributees or legatees. This, therefore, has become in a sense a claims program; that is, the persons claiming the funds when they are unblocked must submit proof of their eligibility, which is a twofold requirement based on their permanent residence at the time they make their claim, and upon their ownership of the funds. The question of ownership may involve an interpretation of the law of descent and distribution of the country in which the decedent was domiciled.

At the end of the fiscal year, there were approximately 663 blocked accounts in the Treasury Department belonging to nationals of Bulgaria, Hungary and Rumania, containing a total of over \$597,900. In addition to the blocked accounts held in the Department of the Treasury, there are many other blocked accounts deposited in banking institutions and public depositories (such as county treasuries), and with corporations in cases in which stock and accrued dividends are owned by persons in blocked territory.

Until the presently blocked countries are unblocked, the Office will continue to license the payment of limited amounts to persons in blocked territory for the purchase of necessities and the payment of certain expenses. In addition, the Office licenses to the governments in exile of each of the Baltic countries, Estonia, Latvia and Lithuania, an amount sufficient to defray the expenses of the diplomatic missions of each government in exile throughout the world. These amounts average about \$100,000 per year for each country.

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 stipulation was necessary because the Philippine Property Act of 1946 required that the proceeds of Philippine vested property, after liquidation and disposition of claims and suits, be turned over to the Government of the Philippines.

The Philippine Vested Property Program was terminated during the year with the transfer of all remaining funds under the control of this Office to the Republic of the Philippines. These transfers included the balance of Philippine vested property funds in the Attorney General's account in the United States Treasury amounting to \$230,911.71 and the balances in the Savings Account and operating Fund Account in the First National City Bank of New York, Manila, in the amounts of ₱ 860,155.78 and ₱ 23,842.66 respectively.

ORGANIZATION

As of June 30, 1964, the Office of Alien Property employed 22 attorneys and 29 clerical and other personnel.

The Office of Alien Property is located at 101 Indiana Avenue, N. W., Washington, D. C. 20530.

FINANCES AND ACCOUNTING

The administrative expenses incurred in carrying out the functions of the Office of Alien Property are paid out of vested assets and not from appropriated funds. The amount that may be expended each year, however, is fixed by Congress by annual authorization. Direct expenses arising from the administration of specific vested properties are not included in this general limitation.

The Comptroller's Unit maintains all accounting records and performs all auditing functions pertaining to properties vested and properties turned over to this Office for custody and safekeeping, handles all tax matters relating to vested property, deposits for collection with the Treasurer of the United States currency, checks or drafts paid to or received by the Office, transfers the proceeds to the Treasury of the United States, and arranges for the payment by check of all expenses of and claims against the Office.

324878

The regular authorization by the Congress for general administrative expenses for the fiscal year 1964 was in the amount of \$690,000 (Public Law 88-245, approved December 30, 1963).

Administrative expenses for the 1964 fiscal year totalled \$680,264.89.

The report of Peat, Marwick, Mitchell & Co., certified public accountants, on the audit of the books of the Office for the fiscal year ended June 30, 1964, follows:

ACCOUNTANTS' REPORT

Peat, Marwick, Mitchell & Co.
1730 M Street, N. W.
Washington, D. C. 20036

Mr. John W. Douglas
Assistant Attorney General, Civil Division
Director of Office of Alien Property
Department of Justice, Washington, D. C.

We have examined the accounts maintained by the Comptroller's Unit of the Office of Alien Property for the purpose of controlling vested assets and recording accountability therefor for the year ended June 30, 1964, 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 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, 1964; 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 one remaining 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, 1964 are not regarded as relatively significant.

/s/ Peat, Marwick, Mitchell & Co.

Washington, D. C.
March 16, 1965

324880

E X H I B I T "A"

OFFICE OF ALIEN PROPERTY
DEPARTMENT OF JUSTICE

STATEMENT OF ADMINISTRATIVE EXPENSES AND MEANS OF FINANCING
FOR THE PERIOD APRIL 21, 1942 TO JUNE 30, 1964

Based on administrative expenses and revenues as
recorded on the books at June 30, 1964

	April 21, 1942 to June 30, 1960	July 1, 1960 to June 30, 1961	July 1, 1961 to June 30, 1962	July 1, 1962 to June 30, 1963	July 1, 1963 to June 30, 1964	TOTAL
ADMINISTRATIVE EXPENSES						
Personal Services	\$50,500,839.10	\$ 563,329.21	\$ 423,638.11	\$ 516,371.87	\$ 535,172.02	\$52,539,350.31
Travel	1,165,555.47	7,673.59	13,494.71	16,646.68	9,831.00	1,213,201.45
Transportation of things	137,154.30	65.90	- 0 -	467.25	- 0 -	137,687.45
Communication services	715,858.44	7,237.27	2,893.12	3,345.94	4,158.47	733,493.24
Rents and Utilities	3,716,106.47	30,538.12	18,325.11	20,889.28	25,584.00	3,811,442.98
Printing and Binding	662,319.28	6,493.01	4,885.96	1,236.23	1,010.28	675,944.76
Other contractual services	3,230,457.46	74,528.61	67,940.79	70,073.28	66,453.60	3,509,453.74
Supplies and materials	611,916.01	422.55	173.66	1,289.61	283.88	614,085.71
Equipment	567,571.37	- 0 -	2,503.77	2,967.35	629.70	573,672.19
Refunds, awards and indemnities	4,640.00	- 0 -	- 0 -	- 0 -	- 0 -	4,640.00
F.I.C.A. contributions	16,558.54	- 0 -	- 0 -	525.23	411.52	17,495.29
Grants, subsidies and contributions	341,126.50	40,204.53	29,494.16	33,788.74	36,730.42	481,344.35
Total Expenses	\$61,670,102.94	\$ 730,492.79	\$ 563,349.39	\$ 667,601.46	\$ 680,264.89	\$64,311,811.47
MEANS OF FINANCING						
Administrative Revenues and Recoveries						
Recoveries of expenses from vested enterprises and other properties received under periodical republication program	\$ 476,589.81	\$ 4,952.46	\$ 12,861.09	\$ 10,027.69	\$ 16,601.63	\$ 521,032.68
Reimbursement of expenses incurred for representing persons residing behind enemy lines in court or administrative proceedings, vested under Section 5 of Executive Order 9193	239,229.81	- 0 -	- 0 -	- 0 -	- 0 -	239,229.81
World War I administrative deductions and expenses recovered	344,172.20	(75.00)	- 0 -	(655.71)	(133.00)	343,308.49
license fees and sales of patent catalogs and abstracts	216,800.79	- 0 -	- 0 -	- 0 -	- 0 -	216,800.79
Philippine vested property expenses to October 13, 1946 recovered from Philippine Alien Property Administration	378,415.88	72.26	405.00	365.00	45.00	379,303.14
Administrative expense subsequent to June 29, 1951 recovered from Philippine Vested Property Fund	124,214.14	- 0 -	- 0 -	- 0 -	- 0 -	124,214.14
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	61,601.98	- 0 -	- 0 -	- 0 -	- 0 -	61,601.98
Expenses charged to Vested Satellite Assets Fund	54,436,226.18	5,007,182.72	(2,118,515.40)	648,732.84	953,761.69	58,927,388.03
Miscellaneous receipts	235,966.45	1,003.24	- 0 -	- 0 -	- 0 -	236,969.69
Total Revenues and Recoveries	\$56,661,017.74	\$5,017,242.87	(\$2,099,232.22)	\$ 673,583.20	\$ 1,034,286.11	\$61,285,897.70
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	945,996.49	(4,286,750.08)	2,662,581.61	(5,981.74)	(354,021.22)	(\$ 1,038,174.94)
Total	\$61,670,102.94	\$ 730,492.79	\$ 563,349.39	\$ 667,601.46	\$ 680,264.89	\$64,311,811.47

() Denotes Red Figure

324881

EXHIBIT B

INFORMATION REQUIRED BY PUBLIC LAW 859^{1/}

Book Valuation of Claims Filed as of June 30, 1964	\$8,528,249.17
Book Valuation of Claims Allowed as of June 30, 1964	5,086,054.76

^{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.

324882