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TREASURY DEPARTMENT

Annual Report

1966

OFFICE OF

ALIEN PROPERTY

DEPARTMENT OF JUSTICE

FISCAL YEAR ENDED JUNE 30, 1966

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TREASURY DEPARTMENT

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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, 1966. This report is made pursuant to Section 6 of the Trading with the Enemy Act, as amended.

Respectfully,

Ramsey Clark
Attorney General

324910

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, 1966. This is the twenty-fourth 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,

CARL EARDLEY
Acting Director, Office of Alien Property

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ANNUAL REPORT
OF
OFFICE OF ALIEN PROPERTY
DEPARTMENT OF JUSTICE
FOR
FISCAL YEAR ENDING JUNE 30, 1966
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 41, 42 and 43 divest the Attorney General's interest (1) in all remainders that had not vested in possession by the end of 1961, (2) in unaccrued installments of income from estates, trusts, annuities and similar properties, and (3) 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 net proceeds of vested property to the Treasury Department for deposit in 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.

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VALUE OF VESTED PROPERTY

As of June 30, 1966, the cumulative total of cash receipts from vested property amounted to approximately \$864,000,000. After deductions for administrative expenses, taxes, payment of title and debt claims and cumulative total advances of \$464,250,000 to the War Claims Fund, there remained in the United States Treasury at the end of the fiscal year a balance of approximately \$65,000,000, as shown in Table 1, which follows:

TABLE 1

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

AS AT JUNE 30, 1966

CASH RECEIPTS

Cash receipts from vested property:		
Principal	\$779,829,399.61	
Income	<u>82,015,309.68</u>	\$861,844,709.29
Cash receipts from non-vested property		2,159,132.37
Expenses recovered from Satellite Assets Fund		367,218.38
Transfer from Safekeeping Funds		<u>48,313.94</u>
Total Receipts		<u>\$864,419,373.98</u>

CASH DISBURSEMENTS

Transfers to War Claims Commission and its successor, Foreign Claims Settlement Commission		\$464,250,000.00
Payment of title and debt claims, Sec. 9(a) suits and compromise settlements		197,163,873.37
Administrative expenses		61,205,796.15
Direct expenses, taxes, repairs, intercustodial payments, war production royalties, etc.		75,528,686.04
Cash transferred to U. S. Treasury under Sec. 202(b) of International Claims Settlement Act		<u>1,634,394.56</u>
Total Disbursements		<u>\$799,782,750.12</u>
Balance June 30, 1966		<u>\$ 64,636,623.86</u>

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In addition to the cash in the U. S. Treasury, the Office was administering unliquidated property estimated to be worth about \$2,000,000. 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 \$900,000,000.

As of June 30, 1966, there still remained under the control of the Office property estimated to be worth \$67,000,000, as shown in Table 2, below:

TABLE 2

CASH AND ESTIMATED VALUE OF ASSETS ON HAND
AS OF JUNE 30, 1966

Cash	\$65,000,000
Miscellaneous properties and interests in properties	<u>2,000,000</u>
TOTAL	\$67,000,000

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 \$464,250,000. 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, 32,428 such accounts had been closed and balances totalling some \$387,000,000 had been applied against these advances.

The remaining German and Japanese vested property is recorded in 340 accounts, containing cash and unliquidated property estimated to be worth about \$142,000,000. When the entire \$464,250,000 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 35 accounts of other nationals with cash and unliquidated property valued at about \$3,000,000 which will be disposed of either through returns of property to eligible claimants, by transfer to the Treasury Department pursuant to Public Laws 84-285 and 87-846, 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 year 1966 the Office collected a total of \$2,607,986.44. Of this amount \$1,552,324.34 was derived from the liquidation of business enterprises; \$823,511.56 from the administration and sale of miscellaneous securities; \$82,824.18 from copyright licenses and from patent and copyright royalties; \$80,000.00 from the repayment of advances to a vested corporation; \$43,260.50 from vested interests in estates and trusts; \$13,679.09 from the administration and sale of real property; and \$12,386.77 from miscellaneous sources.

At the end of the fiscal year some \$2,000,000 worth of miscellaneous property had not been reduced to cash. The remaining copyrights which have not been divested pursuant to Public Law 87-846, approved October 22, 1962, carried at a nominal value of \$1.00 each, are not included in the miscellaneous property valuations.

General Aniline & Film Corporation

In the Annual Report for the year ending June 30, 1965 (p. 5) we commented on the sale of 11,188,410 shares of the stock of the General Aniline & Film Corporation and we stated in a footnote that 21,972 shares of stock of the corporation were withheld from sale to accommodate non-consenting stockholders of Interhandel. These withheld shares were sold during the current fiscal year for \$563,005.05. This sum was transferred to the Interhandel account in the United States Treasury pursuant to the terms of the stipulation of settlement.

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 and similar interests which were not payable or deliverable to the Attorney General, or vested-in-possession in him, prior to December 31, 1961. The statute 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 43 estates and trusts and insurance policies through collection and divestment. There remain 57 open interests in cases of this type.

With the \$43,260.50 received during the fiscal year from distributions and income from estates, trusts and insurance contracts, the total receipts of the Office from this category exceed \$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.

At the beginning of the fiscal year, 55 conflicts were pending with foreign countries. During the year, 44 were settled, leaving a total of 11 conflicts to be resolved at the end of fiscal year 1966.

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 of the end of the fiscal year, all of these patents have either been returned to the former owners, have expired, or have been written off as worthless.

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-owned 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 Nazi Party. Also excepted was the scientific German motion picture, Meiosis-In the Sperm Cells of the Grasshopper, psophus stridulus I, which is exclusively licensed for educational purposes until December 31, 1967. The Hoffmann collection was transferred to the General Services Administration for the interest and benefit of the United States on March 1, 1966.

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 \$5,592,224.57 as of June 30, 1966, of which \$20,522.54 was received during the fiscal year.

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 19 cases carried over from fiscal 1965 and 2 new cases which were filed in the courts during fiscal year 1966. Of the total of 21 cases, 9 were closed during fiscal 1966, leaving 12 cases pending at the end of the fiscal year. These figures include cases involving title to property and one complaint for review under Section 34 of the Trading with the Enemy Act which was pending in the United States District Court for the District of Columbia. This complaint for review was still pending in the District Court as of June 30, 1966.

The Office also represented the Attorney General in 29 estates and trusts cases in various state courts throughout the United States. These cases were carried over from the previous fiscal year, 1 new case became active and 12 cases were terminated. At June 30, 1966, there were 18 cases pending in the state courts.

Some of the most important cases in litigation or settled during the year were: Honda, et al. v. Katzenbach; Okamoto, et al. v. Katzenbach; and Kondo, et al. v. Katzenbach, Civil Actions Nos. 1179-64, 1591-64 and 1630-64, respectively (U.S.D.C.D.C.). These class actions were commenced by several thousand holders of yen certificates of deposit for the purpose of obtaining payments totalling approximately \$20,000,000 on their certificates from available funds of the Yokohama Specie Bank which total about \$12,000,000 and which were vested under the Trading with the Enemy Act. The claims of nearly all of these plaintiffs were dismissed on the ground of abandonment when they failed to submit the original certificates of deposit upon which their claims were based, as they had been requested to

do by the Office of Alien Property. None of the plaintiffs had timely filed complaints for review in accordance with the requirements of Section 34(f) of the Act and, therefore, they were not included in the compromise settlement of Abe, et al. v. Kennedy (U.S.D.C.D.C.) involving similar claims.

This litigation was opposed by the Office of Alien Property on jurisdictional grounds under Section 34(f) of the Act, which imposes an absolute bar on the litigation of these claims at this late date. Plaintiffs contended, however, that the Government is estopped from asserting Section 34(f) as a bar since the dismissal of their claims because of their failure to submit their certificates of deposit was unreasonable. The position of the Government was sustained by the District Court by entry of an order on March 31, 1965 dismissing the complaint on jurisdictional grounds. The Court of Appeals for the District of Columbia affirmed on January 13, 1966. Plaintiffs' petition for a writ of certiorari was filed on May 23, 1966.

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 and semi-precious and synthetic stones from Europe. Plaintiffs were 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. The principal question in the case was whether von Clemm's activities were such as to classify him as an enemy within the meaning of Section 2 of the Trading with the Enemy Act and therefore ineligible to sue under Section 9(a) of the Act. Various individuals intervened as parties defendant under the principle established in Kaufman v. Societe Internationale, 343 U.S. 156. The case was tried and had been submitted on briefs by November of 1964. The District Court sustained the Government's position by finding that von Clemm had failed to meet the burden of establishing that he was not an enemy and thus concluded that he was ineligible to sue under Section 9(a). This decision was affirmed by the Court of Appeals for the Second Circuit.

J. Robert Bonnar, et al. v. United States (In the U. S. Court of Claims, No. 293-63). Plaintiffs, all American citizens, are former shareholders or successors in interest of former shareholders of General Dyestuff Corporation, whose shares were vested in 1942 by the Alien Property Custodian pursuant to the Trading with the Enemy Act. Plaintiffs contend that they were the beneficial owners of the stock and seek damages of \$22 million. It is the Government's position in this litigation that the plaintiffs were not the beneficial owners of the stock at the time of vesting, and that the stock was actually being held for the beneficial interest of the German concern, I. G. Farben. Pretrial proceedings were initiated and several of plaintiffs' witnesses had testified by the close of fiscal 1966.

Aterforsakringsaktiebolaget "Atlas" (Claim No. 4036); Sjo-och Brandforsakringsaktiebolaget "Svenska Veritas" (Claim No. 4037). These claimants seek the return of approximately \$465,000 representing the proceeds received by this Office from the sale of certain shares of stock issued by the Pilot Reinsurance Company of New York and registered in the names of the claimants prior to vesting. Both claimants are Swedish insurance companies. In 1939 the claimants and the Muenchener Rueckversicherungs-Gesellschaft, a German insurance company, entered into individual "Deposit and Purchase" agreements under the terms of which Munich transferred its shares of Pilot to claimants purportedly in order to provide security for certain of Munich's unfulfilled obligations to transfer premium payments and damage reserves to the claimant companies. The said "Deposit and Purchase" agreements provided inter alia that Munich should have the option to repurchase the Pilot shares within a period of five years at a stated price. The Claims Unit contended that the parties did not intend a bona fide sale but that, on the contrary, Munich, Atlas and Veritas were engaged in a conspiracy to cloak Munich's ownership of Pilot and thus avoid possible seizure in the event of war between Germany and the United States. The claimants have denied the Claims Unit contention. These complicated claims were pending for disposition at the close of the fiscal year, and negotiations looking toward a possible settlement had been started.

Alfred Bockli, Eduard Caflisch and Oscar Stutz as Trustees of Henkel & Cie. A. G. Konsortial-Fonds (Claims Nos. 6843 and 45899); Henkel & Cie. A.G. Konsortial-Fonds (Claim No. 40962); Henkel & Cie. A.G. of Basel, Switzerland (Claims Nos. 41486 and 45892); Uma A.G. of Chur, Switzerland (Claim No. 45893). These six closely related matters involve approximately \$17,000,000 vested by the Attorney General under the Trading with the Enemy Act. In 1947 and 1948 two of the claimants commenced suit pursuant to Section 9(a) of the Act in the United States District Court. These suits were dismissed with prejudice. There was still time during fiscal year 1966 within which to file Section 9(a) actions with respect to several of the other claims. All claimants were seeking an administrative determination of their claims.

Henkel & Cie. G.m.b.H. of Dusseldorf is perhaps Europe's largest producer of soaps, detergents and related chemicals with numerous subsidiary corporations located throughout the world. Prior to World War II, control of the Henkel enterprises outside of Germany was concentrated in the hands of Uma A.G. of Chur, Switzerland, a corporation established and controlled by Henkel of Dusseldorf. Uma, in turn, controlled Henkel A.G. of Basel, Switzerland, and Henkel & Cie. A.G. Konsortial-Fonds. At the time of vesting, the property in question was held in the names of Henkel & Cie. of Basel and Henkel & Cie. Konsortial-Fonds.

The basic issue presented was whether Henkel of Basel was eligible for a return under Section 32(a)(2)(E) of the Act, which bars a return to a

foreign corporation which after December 7, 1941, was controlled, or 50% or more owned, by an enemy. The Claims Unit contended that Henkel of Dusseldorf did control both Uma and Henkel of Basel and that despite a pro-forma sale of Uma stock prior to World War II, Henkel of Dusseldorf did retain ownership of more than 50% of Uma stock throughout World War II. The claimants denied these contentions. Proposals for the settlement of this complicated group of claims were considered for several years. The case was settled on April 11, 1966 when the claimants agreed to accept \$1,500,000 in settlement of their claims.

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.

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, 1966, there had been filed with the Office of Alien Property a total of 67,589 claims of which 19,905 were title claims and 47,684 were debt claims. At the start of the 1966 fiscal year, there remained to be processed 84 title claims and 12 debt claims. 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 \$215,887,000 as shown in Table 3, below. This total includes cash payments of about \$182,887,000 and appraisable property valued at about \$33,000,000.

The Office processed 108 title claims during the 1966 fiscal year, which resulted in a return to former owners of \$3,257,000 in cash, plus various interests in property of unappraisable nature, such as tangible personal property.

During the fiscal year two debt claims were disposed of administratively by allowance in the total sum of \$811.72. One of these two claims was for attorneys' fees and the other was for the balance due on a note.

At the close of the fiscal year there remained 42 title and 10 debt claims for further processing.

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.....	\$900,000,000
LESS:	
Property returned to non-hostile persons.....	\$215,887,000
Debt claims paid.....	13,460,000
Funds transferred to War Claims Fund.....	464,250,000
Funds transferred to the Treasury	
Department pursuant to Lombardo and	
Reverse Lend-Lease Agreements.....	1,410,000
Refunds of overpayments.....	153,000
Funds transferred into Treasury under	
Section 202(b) of Public Law 285.....	734,000
Funds divested and covered into Treasury	
or paid direct to individuals under	
Section 202(b) of Public Law 285.....	1,045,000
Cash and other property transferred to foreign	
governments per intercustodial agreements....	15,330,000
Direct expenses not allocated to specific	
types of property.....	59,495,000
Conservatory and administrative expenses.....	61,236,000
Total Deductions.....	\$833,000,000
Property remaining June 30, 1966.....	\$ 67,000,000

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 838 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 has issued, as of June 30, 1966, 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
Romania	104	21,189,144
Unknown nationals of Bulgaria, Hungary and Rumania	9	50,711
	<hr/>	<hr/>
Total	292	\$ 26,672,316

The proceeds derived from those vesting orders and the disposition of the funds obtained are shown in Table 4, which follows:

TABLE 4

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
UNDER PUBLIC LAW 285

AS AT JUNE 30, 1966

CASH RECEIPTS

Cash receipts from vested property:	
Principal	\$26,580,019.64
Income	<u>27,906.78</u>
Total Receipts	\$26,607,926.42

CASH DISBURSEMENTS

Transfers to Rumanian Claims Fund in U.S. Treasury	\$20,857,735.49
Transfers to Bulgarian Claims Fund in U.S. Treasury	2,589,456.57
Transfers to Hungarian Claims Fund in U.S. Treasury	1,478,225.27
Payment of title and debt claims	508,924.07
Administrative expenses - Office of Alien Property	367,218.38
Litigation settlement	85,000.00
Divestments into blocked accounts in the U.S. Treasury or direct to vestees	19,984.39
Payment to Government of Canada under Intercustodial Agreement	14,070.90
Federal income taxes	8,496.64
Miscellaneous payments for custody fees, legal fees and refunds of overpayments	<u>4,238.72</u>
Total Disbursements	\$25,933,350.43
Balance June 30, 1966	<u>\$ 674,575.99</u>

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

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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.

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.

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.

By Executive Order No. 11281 of May 13, 1966, the responsibility for administering blocking controls was transferred to the Secretary of the Treasury. On May 1, 1966 there were approximately 632 blocked accounts in the Treasury Department belonging to nationals of Bulgaria and Rumania (whose property has been unblocked) and nationals of still-blocked Hungary. These accounts contain a total of over \$608,000. 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.

ORGANIZATION

As of June 30, 1966, the Office of Alien Property employed 2 attorneys and 11 clerical and other personnel.

The Office of Alien Property which was formerly located at 101 Indiana Avenue, N. W., Washington, D. C., ceased to exist on June 30, 1966. The few functions which remained at the close of fiscal 1966 will be performed by the part time services of Civil Division personnel under the supervision of the Assistant Attorney General in charge of the Civil Division, who continues to be the Director of the Office of Alien Property.

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.

The regular authorization by the Congress for general administrative expenses for the fiscal year 1966 was in the amount of \$369,000 (Public Law 89-164), approved September 2, 1965).

Administrative expenses for the 1966 fiscal year totalled \$329,069.42.

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, 1966, follows:

ACCOUNTANTS' REPORT

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

Mr. Barefoot Sanders
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, 1966, 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 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, 1966; 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 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 confirmations 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.

In our opinion, the individual exceptions disclosed as a result of our examination for the year ended June 30, 1966 are not regarded as relatively significant.

/s/ Peat, Marwick, Mitchell & Co.

February 15, 1967

EXHIBIT "A"

STATEMENT OF ADMINISTRATIVE EXPENSES AND MEANS OF FINANCING
FOR THE PERIOD APRIL 21, 1942 TO JUNE 30, 1946

Based on administrative expenses and revenues as
recorded on the books at June 30, 1946

	April 21, 1942 to June 30, 1942	July 1, 1942 to June 30, 1943	July 1, 1943 to June 30, 1944	July 1, 1944 to June 30, 1945	July 1, 1945 to June 30, 1946	TOTAL
ADMINISTRATIVE EXPENSES						
Personal Services	\$31,487,806.42	\$ 316,371.87	\$ 530,914.68	\$ 532,266.12	\$ 273,221.62	\$53,340,582.71
Travel	1,186,723.77	16,437.92	9,049.10	12,387.48	4,982.79	1,229,901.06
Transportation of things	137,220.20	447.25	- 0 -	- 0 -	88.86	137,776.31
Communication services	725,988.83	3,345.94	2,784.60	2,971.90	3,418.25	738,509.52
Rents and utilities	3,764,949.70	20,889.28	21,349.73	17,423.75	14,931.00	3,839,583.46
Printing and binding	673,698.25	1,236.23	1,027.75	845.05	714.39	677,541.67
Other contractual services	3,372,924.86	70,073.28	67,577.25	61,185.23	13,317.77	3,585,088.39
Supplies and materials	612,512.22	1,289.61	283.88	845.13	45.60	614,976.44
Equipment	570,075.14	2,967.35	629.70	- 0 -	- 0 -	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	525.23	412.03	32.32	- 0 -	17,528.12
Grants, subsidies and contributions	419,825.12	33,788.75	38,222.28	32,213.74	18,422.14	539,472.02
Total Expenses	\$62,963,945.12	\$ 667,592.70	\$ 672,271.00	\$ 666,392.72	\$ 329,069.42	\$65,299,270.96
MEANS OF FINANCING						
Administrative Revenues and Recoveries						
Recoveries of expenses from vested enterprises and other properties	\$ 494,403.36	\$ 10,027.69	\$ 16,601.43	\$ 16,991.57	\$ 13,987.67	\$ 552,011.92
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 9153	344,097.20	(655.71)	(133.00)	(284.00)	(191.00)	342,831.49
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	378,893.14	345.00	45.00	45.00	175.00	379,523.14
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 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	57,324,893.80	646,732.84	953,761.69	1,051,877.87	431,683.79	60,430,949.69
Expenses charged to Vested Satellite Assets Fund	236,949.69	- 0 -	- 0 -	- 0 -	130,348.69	367,298.38
Miscellaneous receipts	157,924.78	15,113.25	64,819.79	6,924.60	1,361.22	245,999.10
Total Revenues and Recoveries	\$59,379,828.39	\$ 673,583.20	\$ 1,034,284.11	\$ 1,075,617.64	\$ 577,243.76	\$62,939,780.44
World War I Administrative Expenses 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	(878,171.98)	(3,990.50)	(362,013.11)	(609,224.22)	(248,196.22)	(1,793,598.12)
Total	\$62,963,945.12	\$ 667,592.70	\$ 672,271.00	\$ 666,392.72	\$ 329,069.42	\$65,299,270.96

() Denotes Red Figure

EXHIBIT B

INFORMATION REQUIRED BY PUBLIC LAW 859^{1/}

Book Valuation of Claims Filed as of June 30, 1966	\$8,557,710.65
Book Valuation of Claims Allowed as of June 30, 1966	5,115,516.24

^{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.