

FOREIGN CLAIMS SETTLEMENT COMMISSION  
OF THE UNITED STATES  
WASHINGTON, D.C. 20579

IN THE MATTER OF THE CLAIM OF

BERNARD GROSSMAN

Under the International Claims Settlement  
Act of 1949, as amended

Claim No. CU-2711

Decision No. CU  
1244

PROPOSED DECISION

This claim against the Government of Cuba, under Title V of the International Claims Settlement Act of 1949, as amended, in the amount of \$20,000 plus accrued interest, was presented by BERNARD GROSSMAN, and is based on his interest in bonds issued by the Cuba Railroad Company and by the Cuba Northern Railways Company. Claimant has been a national of the United States since his birth in the United States.

Under Title V of the International Claims Settlement Act of 1949 [78 Stat. 1110 (1964), 22 U.S.C. §§1643-1643k (1964), as amended, 79 Stat. 988 (1965)], the Commission is given jurisdiction over claims of nationals of the United States against the Government of Cuba. Section 503(a) of the Act provides that the Commission shall receive and determine in accordance with applicable substantive law, including international law, the amount and validity of claims by nationals of the United States against the Government of Cuba arising since January 1, 1959 for

losses resulting from the nationalization, expropriation, intervention, or other taking of, or special measures directed against, property including any rights or interests therein owned wholly or partially, directly or indirectly at the time by nationals of the United States.

Section 502(3) of the Act provides:

The term 'property' means any property, right, or interest including any leasehold interest, and debts owed by the Government of Cuba or by enterprises which have been nationalized, expropriated,

intervened, or taken by the Government of Cuba and debts which are a charge on property which has been nationalized, expropriated, intervened, or taken by the Government of Cuba.

On the basis of evidence of record, the Commission finds that claimant BERNARD GROSSMAN is, and since prior to October 13, 1960, has been the owner of 12 bonds, in the original face amount of \$1,000.00, issued by the Cuba Railroad Company, and known as "First Lien and Refunding Bond, Series A, 4%, due June 30, 1970" issued under an Indenture of March 10, 1922 and a Supplemental Indenture dated July 1, 1952, with the First National City Bank of New York as Successor Trustee. The bonds in question are numbered TRM 659 to TRM 670, inclusive.

The Cuba Railroad Company, by Indenture dated March 10, 1922, and Supplemental Indentures dated June 2, 1926 and July 1, 1952, issued Dollar bonds secured by mortgage upon the real property of the Company. By the Supplemental Indenture of July 1, 1952, the bonds were re-issued as 4% bonds, due June 30, 1970. As of 1952, the outstanding principal balance on each \$1,000.00 bond was \$635.00, with interest at 4% per annum to be paid on the principal balance.

The Cuba Railroad Company, incorporated in the State of New Jersey, was wholly owned by Consolidated Railroads of Cuba (Ferrocarriles Consolidados de Cuba), a Cuban corporation. The Cuba Railroad Company thus would not qualify as a national of the United States under Section 502(1) of the Act which defines the term "national of the United States" as including "(B) a corporation or other legal entity which is organized under the laws of the United States, or of any State, the District of Columbia, or the Commonwealth of Puerto Rico, if natural persons who are citizens of the United States own, directly or indirectly, 50 per centum or more of the outstanding capital stock or other beneficial interest of such corporation or entity."

The record discloses that the last payment of interest on the bonds was made on December 1, 1958. The properties of the Cuba Railroad Company were listed as nationalized in Cuban Law 890, published in the

Cuban Official Gazette on October 13, 1960. Claimant's bonds, therefore, represented debts which were a charge upon nationalized property, as defined in Section 502(3) of the Act.

On the basis of evidence of record, the Commission also finds that claimant is, and since prior to October 13, 1960, has been the owner of five bonds in the original face amount of \$1,000.00 issued by the Cuba Railroad Company and known as "Improvement and Equipment Gold Bond, 4%, due June 30, 1970" issued under an Indenture of July 1, 1910, and Supplemental Indentures dated July 1, 1952 and December 1, 1959, with Chemical Bank New York Trust Company as Successor Trustee. The bonds in question are Nos. M 510, M 1007, M 1438, M 2470, and M 3198.

The Cuba Railroad Company, by Indenture dated July 1, 1910, and Supplemental Indentures dated July 1, 1952 and December 1, 1959, issued Dollar bonds secured by mortgage upon the realty and equipment of the Company. By the Supplemental Indenture of July 1, 1952, the bonds were reissued as 4% bonds, due June 30, 1970. As of 1952, the outstanding principal balance on each \$1,000.00 bond was \$635.00, with interest at 4% per annum to be paid on the principal balance.

The record discloses that the last payment of interest on the bonds was made on November 1, 1958. The properties of the Cuba Railroad Company were listed as nationalized by Cuban Law 890, effective October 13, 1960, the date of its publication in the Cuban Official Gazette. Claimant's bonds, therefore, represented debts which were a charge upon nationalized property as defined in Section 502(3) of the Act.

On the basis of the evidence of record, the Commission also finds that claimant is, and since prior to October 13, 1960, has been the owner of one bond in the original face amount of \$1,000.00, issued by the Cuba Railroad Company and known as First Mortgage Gold Bond, 4%, due June 30, 1970 issued under a Supplemental Indenture of July 1, 1952, with Guaranty Trust Company of New York as Trustee (formerly First Mortgage, 50 Year Gold Bond issued September 18, 1902, 5%, due July 1, 1952,

with the Morton Trust Company of New York as Trustee). The bond in question is Temporary Bond No. TRM 206.

Pursuant to the Supplemental Indenture of July 1, 1952, the bond is overstamped to set forth an outstanding principal balance of \$460.00, and to provide total annual interest in the amount of 4% of the outstanding principal balance.

The record shows that the properties of Cuba Railroad Company were listed as nationalized by Cuban Law 890, published in the Cuban Official Gazette on October 13, 1960. Claimant's bond, therefore, represents a debt which was a charge on property which has been nationalized by the Government of Cuba as defined in Section 502(3) of the Act (supra).

With regard to the value of the bond on the date of loss, information available to the Commission discloses that no part of the outstanding principal balance was ever paid, and that the last payment of interest was made on January 1, 1959.

Further, on the basis of evidence of record, the Commission finds that claimant is, and since prior to October 13, 1960, has been the owner of two bonds in the original face amount of \$1,000.00, issued by the Cuba Northern Railways Company and known as "First Mortgage Gold Bonds, 4%, due June 30, 1970" (originally First Mortgage Gold Bonds, 5-1/2%, due June 1, 1942) issued under an Indenture of July 1, 1927, with the First National City Bank of New York as Trustee. The bonds in question are Nos. TRM 822 and TRM 823.

The record shows that Cuba Northern Railways Company was nationalized by Cuban Law 890, published in the Cuban Official Gazette on October 13, 1960. Claimant's bonds, therefore, represented the debt of a nationalized enterprise as defined in Section 502(3) of the Act (supra).

Evidence of record establishes that each bond had an outstanding principal balance of \$635.00 on October 13, 1960, the date of loss.

The Commission concludes that as a result of the nationalization of the properties of the Cuba Railroad Company and Cuba Northern Railways Company, claimant suffered a loss in connection with his bonds, within the meaning of Title V of the Act. (See the Claim of Albert I. Harris, FCSC Claim No. CU-2398; Claim of Edgar F. Corliss, FCSC Claim No. CU-0785; Claim of Joseph Gans, FCSC Claim No. CU-1720, and Claim of Kentucky Home Mutual Life Insurance Company, FCSC Claim No. CU-1339.)

The Commission finds that the total amount of the unpaid indebtedness on claimant's bonds is as follows:

Cuba Railroad Improvement & Equipment Bonds (5)	
Principal	\$ 3,175.00
Interest (December 1, 1958 to Oct. 13, 1960)	237.80
Cuba Railroad First Lien Bonds (12)	
Principal	7,620.00
Interest (December 1, 1958 to Oct. 13, 1960)	570.72
Cuba Railroad First Mortgage Bond (1)	
Principal	460.00
Interest (January 1, 1959 to Oct. 13, 1960)	32.86
Cuba Northern Railways Bonds (2)	
Principal	1,270.00
Interest (December 1, 1958 to Oct. 13, 1960)	<u>95.12</u>
	Total
	\$13,461.50

The Commission has decided that in certification of losses on claims determined pursuant to Title V of the International Claims Settlement Act of 1949, as amended, interest should be included at the rate of 6% per annum from the date of loss to the date of settlement. (See the Claim of Lisle Corporation, FCSC Claim No. CU-0644).

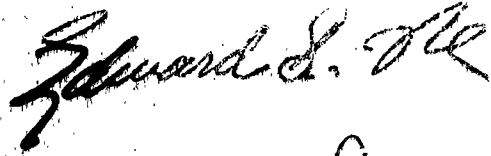
Accordingly, the Commission concludes that the amount of loss sustained by claimant shall be increased by interest thereon at the rate of 6% per annum from October 13, 1960, the date of loss, to the date on which provisions are made for settlement thereof.

CERTIFICATION OF LOSS

The Commission certifies that BERNARD GROSSMAN suffered a loss, as a result of actions of the Government of Cuba, within the scope of Title V of the International Claims Settlement Act of 1949, as amended, in the amount of Thirteen Thousand Four Hundred Sixty-One Dollars and Fifty Cents (\$13,461.50) with interest thereon at 6% per annum from October 13, 1960 to the date of settlement.

Dated at Washington, D. C., and entered as the Proposed Decision of the Commission

FEB 14 1968



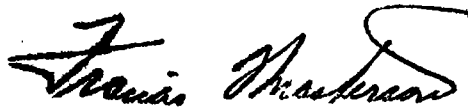
Edward D. Re, Chairman



Theodore Jaffe, Commissioner

CERTIFICATION

This is a true and correct copy of the decision of the Commission which was entered as the final decision on MAR 18 1968



Francis MacFarland, Clerk of the Commission

NOTICE TO TREASURY DEPARTMENT: The above-listed bonds may have been returned to claimant and no payment should be made until they are resubmitted.

The statute does not provide for the payment of claims against the Government of Cuba. Provision is only made for the determination by the Commission of the validity and amounts of such claims. Section 501 of the statute specifically precludes any authorization for appropriations for payment of these claims. The Commission is required to certify its findings to the Secretary of State for possible use in future negotiations with the Government of Cuba.

NOTICE: Pursuant to the Regulations of the Commission, if no objections are filed within 15 days after service or receipt of notice of this Proposed Decision, the decision will be entered as the Final Decision of the Commission upon the expiration of 30 days after such service or receipt of notice, unless the Commission otherwise orders. (FCSC Reg., 45 C.F.R. 531.5(e) and (g), as amended, 32 Fed. Reg. 412-13 (1967).)