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July 15, 2007

The Honorable Edward R. Korman  
United States District Judge  
United States District Court  
for the Eastern District of New York  
225 Cadman Plaza East  
Brooklyn, New York 11201

Dear Judge Korman:

Please find below an update of my Memorandum, dated May 14, 2007, on the revision of the presumptive values the CRT currently uses in the award decision process. As you know, during the past two months the CRT has refined its review of the remaining positive matches and has made substantive changes to the projections available at the time of my writing. I, consequently, reviewed my calculations of the cost of the amendments to the presumptive values I proposed in the May Memorandum and, in that process, also took account of the award decisions presented to the Court since.

The database on which the current estimates rest has grown to a total of awarded accounts of 3,870, of which 1,247 have a known value; at the same time the AHD-plus, on which the proposed revision of the current presumptive values is based, has grown to 6,702 known value accounts and has been revised, where appropriate, to reflect the latest additions to the actual award data.<sup>1</sup> These changes have affected the results reported in my May Memorandum not at all or only marginally, with both the structure of the awarded accounts and their average known values remaining stable, as they have been throughout the period of observation, i.e. from May 2004 to date. I thus can confidently repeat the conclusion I drew in my previous Memorandum namely that:

“With the further experience gained over the year since I wrote, I have become yet more firmly convinced that the presumptive values established by the ICEP auditors, even taking into account some of the questions raised by outside observers, indeed, are not fully representative of the CRT data, and that, therefore, a considered revision is appropriate.”

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<sup>1</sup> Since my May Memorandum, which was based on awarded account data through Set 116 (approved by the Court on 27 February, 2007) additions through Set 135 (which is on its way to the Court) numbered 165 accounts, of which 65 accounts had a known value. Of these 65 known-value accounts, 22 accounts which had not been included in the original AHD were added to the AHD-plus, and 31 accounts included in the original AHD as having an unknown value were determined to have a known value.

Accordingly, I can also confirm my recommendation that the current presumptive values be amended as proposed in May and, for your convenience, reproduce below the table from that Memorandum, which showed present presumptive values, proposed presumptive values at 100 percent of adjustment and an additional range of options at 50 and 30 percent, respectively. (See Table 1).

**Table 1. Present and proposed presumptive values,  
1945 and current values  
(in SF and ratios)**

Account Type	Present presumptive value (ICEP)	1945 values in SF Proposed presumptive value Adjustment at			Current value present presumptive value (ICEP)	1945 values in SF Proposed presumptive value Adjustment at			Ratios Proposed /present presumptive value At 100%
		100 %	50%	30%		100%	50%	30%	
Savings Accounts	830	1,100	960	910	10,375	13,750	12,000	11,375	1.33
Demand Deposits	2,140	3,200	2,670	2,460	26,750	40,000	33,375	30,750	1.49
Custody Accounts	13,000	30,500	21,750	18,250	162,500	381,250	271,875	228,125	2.35
Safe Deposit Boxes	1,240	3,500	2,370	1,920	15,500	43,750	29,625	24,000	2.82
Unknown Accounts	3,950	3,950	3,950	3,950	49,375	49,375	49,375	49,375	1.00
Other Accounts	2,200	3,950	3,080	2,730	27,500	49,375	38,500	34,125	1.80

These options are shown in part because varying the percentage of adjustment does not produce an equivalent change in the dollar costs. As noted in my May Memorandum, the cost estimates assume that, as in the past, the presumptive values not only represent proxies for the values of unknown account balances, but also constitute the minima to which known balances that fall below their associated presumptive value are to be raised, unless there are specific reasons for not doing so. For accounts already awarded, this means that some of the 390 accounts that through Set 135 were payable at known values, and that after adjustment would fall short of the proposed presumptive values for their type of account, would need to be moved to presumptive value. The number that would be so shifted obviously depends on the adjustment percentage chosen: at 100 percent, 97 accounts would be shifted to payment at the new presumptive values; at 50 percent, 60 accounts would be shifted; and at 30 percent 25 accounts. The inclusion of these shifted accounts in the number of accounts paid at presumptive value raises the share of the latter from 89.9 percent to 92.4, 91.5 and 90.6 percent of all accounts at 100 percent, 50 percent and 30 percent respectively. This in turn will affect the cost of the yet to be awarded accounts as both the share of projected accounts to be paid at presumptive value and the average value of the remaining accounts to be paid at known values are based on past experience.

With respect to accounts yet to be awarded, the previous estimates of the amounts involved at no adjustment and of the cost of adjustment were based on the then projected number of 1,400 accounts. The CRT's further refinement of the projection base has brought this number down to a maximum of 1,092 accounts.<sup>2</sup>

On basis of the above, the cost of adopting the proposed presumptive values at the 100 percent level would amount to US\$ 260.6 million for adjustment of already awarded and yet to be awarded accounts combined. The cost of adopting an adjustment level of 50 percent or 30 percent would amount to US\$ 131.0 million or US\$ 78.2 million respectively. (See Table 2, page 5).

Without any adjustment of presumptive values, forward payments from the Settlement Fund would be for the projected 1,092 accounts yet to be awarded only. These payments are projected on basis of the structure of account types, the split between accounts paid at presumptive and at known value and the average known value paid by account type established by the body of the already awarded accounts.<sup>3</sup> They are accordingly estimated to amount to US\$ 90.7 million. Together with payments made through Set 135 and amounts already committed, this yields an estimated grand total of past and future payments of US\$ 544.4 million. (See Table 3, page 6).

Adoption of the proposed presumptive values at 100 percent would put the estimate of future payments, including adjustment of accounts yet to be awarded, at US\$ 351.3 million and the grand total of past and future payments at US\$ 805.1 million.

<sup>2</sup> The projection of 1,092 accounts yet to be awarded excludes Multiple Plausible Matches ("MPMs") with 6 or more unrelated claims. The possible effect of this exclusion on total amounts is discussed briefly on p. 4.

<sup>3</sup> It should be noted that the CRT's projection of 1,092 accounts yet to be awarded also provided a break by type of account and by number and average value of known value accounts. However, the known value account information in that projection is considered notional in as much as definite known values are only determined during the award review process and, more generally, as value information is not required when adding an account to the AHD-plus. Indeed, the split between number of known value and unknown value accounts as well as the average values found for the projected accounts departed significantly from the established stable relationships established for the 3,870 accounts awarded thus far. Accordingly, drawing on the historic experience for the split between known and unknown value accounts and for the average known values by type of account is well justified. Though the division of accounts yet to be awarded by type of account in the projection is more reliable, the resulting structure of accounts differs so markedly from historic experience that prudence dictated use of the historic structure as well. This was further justified by the fact that in the past award process many accounts were reclassified as to type. This was particularly true for accounts initially classified as "unknown type of account" and it is this category that looms extra-ordinarily large in the projections. While this cannot explain the full extent of difference in structure, it may go some way until the CRT's further consideration brings greater clarity. May it suffice here to note that using the projection structure produces results that are US\$ 23 million below the results presented here at no adjustment of presumptive values, and US\$ 43 million lower at the 100% level of adjustment. This difference stems in the main from the fact that the projection foresees a much lower proportion of custody accounts (18 percent of the total as compared with 31 percent historically, partly offset by the much higher percentage of unknown type of accounts (46 percent vs 23 percent). These differences impact the "no adjustment" totals because the average value of a custody account is significantly higher than that of an unknown type of account and further impact the adjustment cost because a substantial increase of the presumptive value is proposed for custody accounts, whereas that for unknown type of accounts is left unchanged.

At 50 percent adjustment of presumptive values, the total of future payments would amount to US\$ 221.6 million and the grand total of past, already committed and future payments would be US\$ 675.4.

At 30 percent adjustment of presumptive values, these payments would amount to US\$ 168.8 million and US\$ 622.6 million respectively.

As noted above, the forward estimates exclude accounts to which 6 or more equally plausible claims have been made by unconnected claimants. The number of such claims per account rises exponentially the less is known about the account owner and the more usual his/her name. If it is assumed that in cases of a large number of distinct claims to the same account no claim would be paid at less than the implicit minimum of US\$ 5,000 now paid on Plausible Undocumented claims, an approx. further US\$ 6 million would be added to the amount to be paid on accounts yet to be awarded.<sup>4</sup> However, this estimate must be taken as a ballpark number as the actual award process may produce results that differ significantly from this short-hand calculation.

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<sup>4</sup> Most recent CRT estimates put the number of such claims at 1,220.

Table 2. Estimated cost of adoption of proposed presumptive values in US dollars  
(In US dollars, USS 1=SF 1.25)

Account Type	Year 1 Accounts (1991)	Year 2 Accounts (1992)	Year 3 Accounts (1993)	Year 4 Accounts (1994)	Year 5 Accounts (1995)	Year 6 Accounts (1996)	Year 7 Accounts (1997)	Year 8 Accounts (1998)	Year 9 Accounts (1999)	Year 10 Accounts (2000)	Year 11 Accounts (2001)	Year 12 Accounts (2002)
Savings Accounts	567,661	62,060	629,741	268,298	82,074	340,372	154,509	45,042	200,161			
Demand Deposits	13,063,358	3,519,689	16,573,047	6,502,764	2,044,470	8,547,234	3,919,742	1,188,154	5,107,896			
Custody Accounts	188,018,398	49,950,097	237,968,495	83,024,987	26,345,477	119,370,464	55,535,857	15,680,386	71,226,243			
Safe Deposit Boxes	4,152,223	1,194,247	5,346,470	2,065,223	606,647	2,671,870	1,237,223	372,647	1,609,870			
Unknown Account	0	0	0	0	0	0	0	0	0			
Other Accounts	87,500	35,000	122,500	44,000	17,600	61,600	26,500	10,600	37,100			

Note: Totals may not add due to rounding.

**Table 3: Projected payments for yet to be awarded accounts,  
cost of adoption of proposed presumptive values and estimated total Settlement Fund payments  
(In US dollars, US\$ 1=SF 1.25)**

	Yet to be awarded accounts (US\$)	Adoption of proposed presumptive values (US\$)	Estimated total Settlement Fund payments (US\$)	Adoption of proposed presumptive values (US\$)	Estimated total Settlement Fund payments (US\$)	Adoption of proposed presumptive values (US\$)	Estimated total Settlement Fund payments (US\$)
Savings accounts	805,908	629,741	1,435,649	340,372	1,146,280	200,151	1,006,059
Demand deposits	10,815,882	16,573,047	27,388,929	8,547,234	19,363,116	5,107,896	16,923,778
Custody accounts	63,737,583	237,968,495	301,706,058	119,370,464	183,108,027	71,226,243	134,983,806
Safe deposit boxes	1,032,517	5,346,470	6,378,987	2,671,870	3,704,387	1,609,870	2,842,387
Unknown accounts	1,4216,674	0	14,216,674	0	14,216,674	0	14,216,674
Other accounts	44,000	122,500	166,500	61,600	105,600	37,100	81,100
<b>Paid or committed through Set 135<sup>1</sup></b>	<b>453,763,281</b>		<b>453,763,281</b>		<b>453,763,281</b>		<b>453,763,281</b>

<sup>1</sup> Includes US\$ US\$ 369,238,789 paid under CRT II, US\$ 18,184,492 paid under CRT I, US\$ 65,000,000 paid or committed under the Plausible Undocumented Award (PUA) program and an estimated US\$ 1.34 million yet to be paid in amendments consequent upon past award policy decisions.  
Note: Totals may not add due to rounding.