

information sufficient to form a belief as to the truth of the remainder of the allegations contained in Paragraph 1 of the Complaint.

2. Defendants deny that at least forty works of art from the Herzog Collection are in the wrongful possession of Defendants. Defendants admit that the institutional defendants are each an agency or instrumentality of Hungary. Defendants lack knowledge or information sufficient to form a belief as to the truth of the remainder of the allegations contained in Paragraph 2 of the Complaint.

3. Defendants deny the allegations contained in Paragraph 3 of the Complaint.

4. The allegations contained in Paragraph 4 of the Complaint set forth arguments or conclusions to which no responsive pleading is required. To the extent a response is deemed to be required, Defendants admit that Hungary has sought to promote Hungarian culture in the United States. Defendants deny the remainder of the allegations contained in Paragraph 4 of the Complaint.

5. Defendants deny the allegations contained in Paragraph 5 of the Complaint.

II. PARTIES

6. Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 6 of the Complaint.

7. Defendants admit that Plaintiff Angela Maria Herzog is an Italian citizen who resides in Rome, Italy. Defendants lack knowledge or information sufficient to form a belief as to the truth of the remainder of the allegations contained in Paragraph 7 of the Complaint.

8. Defendants admit that Plaintiff Julia Alice Herzog is an Italian citizen who resides in Rome, Italy. Defendants lack knowledge or information sufficient to form a belief as to the truth of the remainder of the allegations contained in Paragraph 8 of the Complaint.

9. Defendants admit that defendant Republic of Hungary (known legally as “Hungary”) is a foreign state as defined in 28 U.S.C. § 1603(a).

10. Defendants admit that defendant Museum of Fine Arts, Budapest, is a museum located in Budapest, Hungary, with the address at Dózsa György út 41, 1146 Budapest Pf. 463, H-1396 Budapest 62. Defendants admit that the Museum of Fine Arts, Budapest, opened in 1906. Defendants lack knowledge or information sufficient to form a belief as to the truth of the remainder of the allegations contained in Paragraph 10 of the Complaint.

11. Defendants admit that defendant Hungarian National Gallery, Budapest (known legally as “Museum of Fine Arts Budapest (Hungarian National Gallery)”), is a museum located in Budapest, Hungary, with the address at Buda Palace, Buildings A, B, C, D, Szent György tér 2, 1014 Budapest, Hungary. Defendants admit that the Hungarian National Gallery was established in 1957. Defendants lack knowledge or information sufficient to form a belief as to the truth of the remainder of the allegations contained in Paragraph 11 of the Complaint.

12. Defendants admit that defendant Museum of Applied Arts, Budapest, is a museum located in Budapest, Hungary, with the address at Üllői út 33-37, 1091 Budapest, Hungary. Defendants admit that the Museum of Applied Arts was established in 1872 for the collection and display of applied art.

13. Defendants admit that defendant Budapest University of Technology and Economics is a university located in Budapest, Hungary with an address at Műegyetem rkp 309, H-1111 Budapest, Hungary.

14. Defendants admit that the Museums and University are agencies or instrumentalities of the Republic of Hungary, as defined in 28 U.S.C. § 1603(b), owned and

operated by the Republic of Hungary (or, during the Communist era, the People's Republic of Hungary).

III. THE ARTWORKS AT ISSUE

15. Defendants admit that artworks once attributable to the Herzog Collection are currently in the possession of the Museums and the University, each an agency or instrumentality of the Republic of Hungary. Defendants further admit that such works are Defendants' lawful property. Defendants lack knowledge or information sufficient to form a belief as to the truth of the remainder of the allegations contained in Paragraph 15 of the Complaint.

16. Defendants deny that artworks once attributable to the Herzog Collection (and the specific artworks identified in sub-paragraphs of Paragraph 16 of the Complaint) belong to Plaintiffs. Defendants admit that the artworks identified in sub-paragraphs (i)-(xxii), (xxiv)-(xxvi), (xxviii)-(xxxi) and (xxxiv) of Paragraph 16 of the Complaint are currently in the possession, custody or control of Defendant Museum of Fine Arts. Defendants lack knowledge or information sufficient to form a belief as to the truth of the remainder of the allegations contained in Paragraph 16 of the Complaint.

17. Defendants deny that artworks once attributable to the Herzog Collection (and the specific artworks identified in sub-paragraphs of Paragraph 17 of the Complaint) belong to Plaintiffs. Defendants admit that the artworks identified in sub-paragraphs (i)-(iv) of Paragraph 17 of the Complaint are currently in the possession, custody or control of Defendant Hungarian National Gallery. Defendants lack knowledge or information sufficient to form a belief as to the truth of the remainder of the allegations contained in Paragraph 17 of the Complaint.

18. Defendants deny that artworks once attributable to the Herzog Collection (and the specific artworks identified in sub-paragraphs of Paragraph 18 of the Complaint) belong to

Plaintiffs. Defendants admit that the artwork identified in sub-paragraph (ii) of Paragraph 18 of the Complaint is currently in the possession, custody or control of Defendant Museum of Applied Arts. Defendants lack knowledge or information sufficient to form a belief as to the truth of the remainder of the allegations contained in Paragraph 18 of the Complaint.

19. Defendants deny that artworks once attributable to the Herzog Collection (and the specific artwork identified in the sub-paragraph of Paragraph 19 of the Complaint) belong to Plaintiffs. Defendants admit that the artwork identified in the sub-paragraph of Paragraph 19 of the Complaint is currently in the possession, custody or control of Defendant Budapest University of Technology and Economics.

20. Defendants lack knowledge or information sufficient to form a belief as to the value of the artworks once attributable to the Herzog Collection. Defendants deny that said artworks are in the unlawful possession of the Museum of Fine Arts, the Hungarian National Gallery, the Museum of Applied Arts, and the Budapest University of Technology and Economics. Defendants admit that certain artworks are in the possession of the Museum of Fine Arts, the Hungarian National Gallery, the Museum of Applied Arts, and the Budapest University of Technology and Economics.

IV. JURISDICTION AND VENUE

21. Defendants deny the allegations contained in Paragraph 21 of the Complaint.

22. Defendant deny that venue is proper in this District under 28 U.S.C. § 1391(f)(3) and (f)(4).

23. The allegations contained in Paragraph 23 of the Complaint set forth arguments or conclusions to which no responsive pleading is required.

24. The allegations contained in Paragraph 24 of the Complaint set forth arguments or conclusions to which no responsive pleading is required.

25. Defendants admit that both Hungary and the United States ratified the 1948 Convention on the Prevention and Punishment of the Crime of Genocide. The allegations contained in Paragraph 25 of the Complaint set forth arguments or conclusions to which no responsive pleading is required.

26. The allegations contained in Paragraph 26 of the Complaint set forth arguments or conclusions to which no responsive pleading is required.

27. The allegations contained in Paragraph 27 of the Complaint set forth arguments or conclusions to which no responsive pleading is required.

28. The allegations contained in Paragraph 28 of the Complaint set forth arguments or conclusions to which no responsive pleading is required. To the extent a response is deemed to be required, Hungary admits that it was a war-time ally of Germany and that Hungarian Jews suffered terribly during the Holocaust. Defendants deny the remainder of the allegations contained in Paragraph 28 of the Complaint.

29. The allegations contained in Paragraph 29 of the Complaint set forth arguments or conclusions to which no responsive pleading is required. To the extent a response is deemed to be required, Defendants admit that this action concerns rights in property – specifically, rights relating to artworks once attributable to the Herzog Collection. Defendants deny the remainder of the allegations contained in Paragraph 29 of the Complaint.

30. The allegations contained in Paragraph 30 of the Complaint set forth arguments or conclusions to which no responsive pleading is required. To the extent a response is deemed to be required, Defendants deny the allegations contained in Paragraph 30 of the Complaint.

31. The allegations contained in Paragraph 31 of the Complaint set forth arguments or conclusions to which no responsive pleading is required. To the extent a response is deemed to be required, Defendants deny the allegations contained in Paragraph 31 of the Complaint.

32. Defendants admit that they have loaned artworks in the past to museums located in the United States. Defendants admit that they are visited by tourists, that they have sold items from museum gift shops to tourists, and they have accepted fees from these visitors, including visitors from the United States. Defendants admit that they have authored, promoted, and/or distributed books or other publications that reference artworks once attributable to the Herzog Collection, including those works cited in Paragraph 32 of the Complaint. Defendants admit that they receive the benefit of tourist advertising in the United States, conducted by the Hungarian National Tourist Office, which promotes the museums to visitors from around the world. Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 32 of the Complaint, including all subparts of Paragraph 32. Further, Defendants contend that the allegations contained in Paragraph 32 of the Complaint set forth arguments or conclusions to which no responsive pleading is required.

33. To the extent a response is deemed to be required, Defendants admit that the University participates in exchange programs with universities located in the United States and that the University participates in the Fulbright Program sponsored by the U.S. Department of State's Bureau of Educational and Cultural Affairs. Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 33 of the Complaint, including all subparts of Paragraph 33. Further, Defendants contend that the allegations contained in Paragraph 33 of the Complaint set forth arguments or conclusions to which no responsive pleading is required.

34. The allegations contained in Paragraph 34 of the Complaint set forth arguments or conclusions to which no responsive pleading is required. To the extent a response is deemed to be required, Defendants admit that the Hungary maintains an Embassy in the District of Columbia, as well as consulates in New York and Los Angeles. Defendants admit that the Hungarian National Tourist Office, an organization owned and controlled by Hungary, has an office in New York, New York. Defendants further admit that the Hungarian Ministry of Education and Culture was a sponsor of “Extremely Hungary” in 2009. Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 34 of the Complaint, including all subparts of Paragraph 34.

35. The allegations contained in Paragraph 35 of the Complaint set forth arguments or conclusions to which no responsive pleading is required.

36. Defendants deny the allegations contained in Paragraph 36 of the Complaint.

37. The allegations contained in Paragraph 37 of the Complaint set forth arguments or conclusions to which no responsive pleading is required. To the extent a response is deemed to be required, Defendants deny the allegations contained in Paragraph 37 of the Complaint.

V. BACKGROUND FACTS

38. Defendants admit that over the course of his lifetime, Baron Mór Lipót Herzog amassed the Herzog Collection, one of Europe’s great private art collections. Defendants admit that the Herzog Collection included works by El Greco, Lucas Cranach the Elder, van Dyck, Gustave Courbet, Velázquez, Mihály Munkácsy, Corot, and Courbet. Defendants lack knowledge or information sufficient to form a belief as to the truth of the remainder of the allegations contained in Paragraph 38 of the Complaint.

39. Defendants admit the allegations contained in Paragraph 39 of the Complaint.

40. Defendants admit that in 1920, Erzsébet Herzog married Alfonz Weiss de Csepel, the son of Baron Manfréd Weiss de Csepel, then Hungary's leading industrialist, whose conglomerate included the Manfréd Weiss Works, the largest machine factory in Hungary, with its main plant on the island of Csepel, just outside Budapest. Defendants admit that the factory branched out into munitions during World War I. Defendants lack knowledge or information sufficient to form a belief as to the truth of the remainder of the allegations contained in Paragraph 40 of the Complaint.

41. Defendants admit that András Herzog married, and in 1939 was divorced from, Maria Izabella Parravicini. Defendants lack knowledge or information sufficient to form a belief as to the truth of the remainder of the allegations contained in Paragraph 41 of the Complaint.

42. Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 42 of the Complaint.

43. To the extent a response is deemed to be required, Defendants admit that Hungary was on the losing side of World War I. Hungary also admits that in 1920, punitive peace terms were forced on Hungary, resulting in the loss of approximately sixty-six percent of Hungary's prewar territory and that Hungary's economy suffered in the post-war years. Defendants lack knowledge or information sufficient to form a belief as to the truth of the characterization of the remainder of the allegations contained in Paragraph 43 of the Complaint. Further, Defendants contend that the allegations contained in Paragraph 43 of the Complaint set forth arguments or conclusions to which no responsive pleading is required.

44. To the extent a response is deemed to be required, Defendants admit that beginning in May 1938, Hungary enacted a series of anti-Semitic laws that constrained the rights of Hungarian Jews. Defendants lack knowledge or information sufficient to form a belief as to

the truth of the characterization of the remainder of the allegations contained in Paragraph 44 of the Complaint. Further, Defendants contend that the allegations contained in Paragraph 44 of the Complaint set forth arguments or conclusions to which no responsive pleading is required.

45. To the extent a response is deemed to be required, Defendants admit the allegations contained in Paragraph 45 of the Complaint. Defendants contend, however, that the allegations contained in Paragraph 45 of the Complaint set forth arguments or conclusions to which no responsive pleading is required.

46. To the extent a response is deemed to be required, Defendants admit the allegations contained in Paragraph 46 of the Complaint. Defendants contend, however, that the allegations contained in Paragraph 46 of the Complaint set forth arguments or conclusions to which no responsive pleading is required.

47. To the extent a response is deemed to be required, Defendants admit the allegations contained in Paragraph 47 of the Complaint. Defendants contend, however, that the allegations contained in Paragraph 47 of the Complaint set forth arguments or conclusions to which no responsive pleading is required.

48. To the extent a response is deemed to be required, Defendants admit the allegations contained in Paragraph 48 of the Complaint. Defendants contend, however, that the allegations contained in Paragraph 48 of the Complaint set forth arguments or conclusions to which no responsive pleading is required.

49. To the extent a response is deemed to be required, Defendants admit that during 1941 and 1942, thousands of Jews were deported to non-Hungarian territories where they were mistreated and/or killed. Defendants admit that in January 1942, hundreds of Jews in territories formerly attached to Hungary were mistreated and/or killed. Defendants lack knowledge or

information sufficient to form a belief as to the truth of the characterization of the remainder of the allegations contained in Paragraph 49 of the Complaint. Further, Defendants contend that the allegations contained in Paragraph 49 of the Complaint set forth arguments or conclusions to which no responsive pleading is required.

50. To the extent a response is deemed to be required, Defendants admit that during World War II, Hungary sent able-bodied Jewish men into forced labor and that many of these men perished. Defendants admit that that it was reported that András Herzog was among those men who perished while in forced labor. Defendants lack knowledge or information sufficient to form a belief as to the truth of the characterization of the remainder of the allegations contained in Paragraph 50 of the Complaint. Further, Defendants contend that the allegations contained in Paragraph 50 of the Complaint set forth arguments or conclusions to which no responsive pleading is required.

51. To the extent a response is deemed to be required, Defendants admit that in March 1944, Adolf Hitler sent German troops into Hungary to ensure Hungary's loyalty and to assist in resisting the advancing Russian army. Further, Defendants contend that the allegations contained in Paragraph 51 of the Complaint set forth arguments or conclusions to which no responsive pleading is required.

52. To the extent a response is deemed to be required, Defendants admit that during World War II, the wartime German and Hungarian governmental authorities deported more than 400,000 Jews from Hungary to German death camps. Hungary further admits that by the time the Russians had overrun Hungary in early 1945, more than half of Hungary's prewar population of Jews had perished. Defendants contend that the allegations contained in Paragraph 52 of the Complaint set forth arguments or conclusions to which no responsive pleading is required.

53. To the extent a response is deemed to be required, Defendants admit the allegations contained in Paragraph 53 of the Complaint. Defendants contend, however, that the allegations contained in Paragraph 53 of the Complaint set forth arguments or conclusions to which no responsive pleading is required.

54. To the extent a response is deemed to be required, Defendants admit that the wartime Hungarian government, including the Hungarian state police, authorized the plundering of Jewish property. Defendants lack knowledge or information sufficient to form a belief as to the truth of the characterization of the remainder of the allegations contained in Paragraph 54 of the Complaint. Further, the allegations contained in Paragraph 54 of the Complaint set forth arguments or conclusions to which no responsive pleading is required.

55. To the extent a response is deemed to be required, Defendants admit that in April 1944, pursuant to Decree 1600/1944, Jews were required to register all of their property and valuables with a value in excess of 10,000 pengő. Defendants lack knowledge or information sufficient to form a belief as to the truth of the characterization of the remainder of the allegations contained in Paragraph 55 of the Complaint. Further, Defendants contend that the allegations contained in Paragraph 55 of the Complaint set forth arguments or conclusions to which no responsive pleading is required.

56. To the extent a response is deemed to be required, Defendants admit the allegations contained in Paragraph 56 of the Complaint. Defendants contend, however, that the allegations contained in Paragraph 56 of the Complaint set forth arguments or conclusions to which no responsive pleading is required.

57. To the extent a response is deemed to be required, Defendants admit the allegations contained in Paragraph 57 of the Complaint. Defendants contend, however, that the

allegations contained in Paragraph 57 of the Complaint set forth arguments or conclusions to which no responsive pleading is required.

58. Defendants admit that Dénes Csánky was a director of the Museum of Fine Arts and had assisted the Herzog family in packing and hiding artworks. Defendants lack knowledge or information sufficient to form a belief as to the truth of the characterization of the remainder of the allegations contained in Paragraph 58 of the Complaint.

59. Defendants admit that an unsigned article published in the May 23, 1944, issue of “Magyarország” quoted Csánky as saying that “[t]he Mór Herzog collection contains treasure the artistic value of which exceeds that of any similar collection in the country. The former banker obtained these Goya, Greco and other pictures from his fellow-Jew Marcell Nemes, and after his death his immediate relatives inherited them. If the state now takes over these treasures, the Museum of Fine Arts will become a collection ranking just behind Madrid.” Defendants lack knowledge or information sufficient to form a belief as to the truth of the characterization of the remainder of the allegations contained in Paragraph 59 of the Complaint.

60. Defendants admit that certain artworks seized at Budafok were handed over by the Hungarian government to the Museum of Fine Arts and other certain artworks were shipped to Germany. Defendants lack knowledge or information sufficient to form a belief as to the truth of the characterization of the remainder of the allegations contained in Paragraph 60 of the Complaint.

61. To the extent a response is deemed to be required, Defendants admit the allegations contained in Paragraph 61 of the Complaint. Defendants contend, however, that the allegations contained in Paragraph 61 of the Complaint set forth arguments or conclusions to which no responsive pleading is required.

62. To the extent a response is deemed to be required, Defendants admit the allegations contained in Paragraph 61 of the Complaint. Defendants contend, however, that the allegations contained in Paragraph 62 of the Complaint set forth arguments or conclusions to which no responsive pleading is required.

63. Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 63 of the Complaint.

64. Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 64 of the Complaint.

65. Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 65 of the Complaint.

66. The allegations contained in Paragraph 66 of the Complaint set forth arguments or conclusions to which no responsive pleading is required. To the extent a response is deemed to be required, Defendants admit that certain artworks and valuables, which may have included artworks once attributable to the Herzog Collection, were seized by the Red Army in German territory and shipped to Russia.

67. The allegations contained in Paragraph 67 of the Complaint set forth arguments or conclusions to which no responsive pleading is required. To the extent a response is deemed to be required, Defendants admit that certain artworks once attributable to the Herzog Collection were recovered by the Western Allied Forces after the war and shipped back to Hungary by train in the late 1940s. Defendants deny that the role of Hungary with respect to those artworks was solely that of temporary custodian or trustee. Defendants deny that the Hungarian government placed many of those artworks with the Museum of Fine Arts for safekeeping.

68. Defendants admit that artworks once attributable to the Herzog Collection remained in Hungary for the duration of the war, including in the possession of the Museums. Defendants deny the remainder of the allegations contained in Paragraph 68 of the Complaint.

69. The allegations contained in Paragraph 69 of the Complaint set forth arguments or conclusions to which no responsive pleading is required. To the extent a response is deemed to be required, Defendants deny the allegations contained in Paragraph 69 of the Complaint.

70. Defendants admit that certain artworks once attributable to the Herzog Collection were given to Plaintiffs or their representatives in the years immediately following World War II. Defendants admit that in the years immediately following World War II, certain artworks once attributable to the Herzog collection remained in Defendants' possession. Defendants deny the remainder of the allegations found in Paragraph 70 of the Complaint.

71. The allegations contained in Paragraph 71 of the Complaint set forth arguments or conclusions to which no responsive pleading is required. To the extent a response is deemed to be required, Defendants deny the allegations contained in Paragraph 71 of the Complaint.

72. Defendants admit that some artworks once attributable to the Herzog Collection were physically returned to the Herzog Heirs or their representatives. Defendants further admit that lawful criminal actions for unlawful smuggling were brought against Plaintiffs, their predecessors, or those to whom such artworks (once attributable to the Herzog Heirs) were given when these individuals removed (or attempted to remove) artworks from Hungary in violation of pre-World War II laws, and that related forfeiture actions were brought against said properties. Defendants deny the remainder of the allegations found in Paragraph 72 of the Complaint.

73. Defendants lack knowledge or information sufficient to form a belief as to whether, in 1948, the Museum of Fine Arts exhibited certain artworks once attributable to the

Herzog Collection as “on deposit.” Defendants deny the remainder of the allegations found in Paragraph 73 of the Complaint.

74. Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 74 of the Complaint.

75. Defendants admit that in fall of 1989, Communism collapsed in Hungary. Defendants lack knowledge or information sufficient to form a belief as to the truth of the remainder of allegations contained in Paragraph 75 of the Complaint.

76. The allegations contained in Paragraph 76 of the Complaint set forth arguments or conclusions to which no responsive pleading is required. To the extent a response is deemed to be required, Defendants admit that Hungary recognized only extremely limited individual property rights. Defendants lack knowledge or information sufficient to form a belief as to the truth of the remainder of allegations contained in Paragraph 76 of the Complaint.

77. Defendants admit that certain artworks (once attributable to the Herzog Collection) hang on the walls of the Hungarian National Gallery and the Museum of Fine Arts bearing tags that identify them as “From the Herzog Collection.” Defendants lack knowledge or information sufficient to form a belief as to the truth of the remainder of allegations contained in Paragraph 77 of the Complaint.

78. The allegations contained in Paragraph 78 of the Complaint set forth arguments or conclusions to which no responsive pleading is required. To the extent a response is deemed to be required, Defendants admit that Erzsébet Weiss de Csepel received from Defendants seven artworks once attributable to the Herzog Collection. Defendants further admit that certain artworks once attributable to the Herzog Collection, including “identifiable masterworks,”

remained in the Museum of Fine Arts and/or the Hungarian National Gallery. Defendants deny the remainder of the allegations contained in Paragraph 78 of the Complaint.

79. Defendants admit that Plaintiffs' predecessor (Martha Nierenberg) litigated in Hungary the ownership of portions of the artworks once attributable to the Herzog Collection. Defendants admit that Plaintiffs (or other Herzog Heirs) also participated in the litigation in Hungary. Defendants admit that the Budapest Municipal Court initially recognized certain of Mrs. Nierenberg's ownership claims. Defendants admit that an appellate court subsequently reversed the lower court decision. Defendants deny the remainder of the allegations contained in Paragraph 79 of the Complaint.

80. Defendants admit that Hungary has pursued claims to Nazi-looted art and art "liberated" by the Soviets. Defendants further admit that they have denied certain restitution claims brought by the Herzog Heirs. Defendants deny the remainder of the allegations found in Paragraph 80 of the Complaint.

81. The allegations contained in Paragraph 81 of the Complaint set forth arguments or conclusions to which no responsive pleading is required. To the extent a response is deemed to be required, Defendants admit that Hungary established an inter-ministerial advisory committee to identify and research cultural property removed from Hungary. Defendants admit that a group of researchers was organized to accomplish this task and that their research was sponsored by the Ministry of Culture and Education. Defendants also admit that the book, *Sacco di Budapest*, was sponsored by the Ministry of Culture and Education and published in 1998 by the Hungarian National Gallery for the Joint Restitution Committee at the Hungarian Ministry of Culture and Education. Defendants further admit that the book references works of art once attributable to

the Herzog Collection. Defendants lack knowledge or information sufficient to form a belief as to the truth of the remainder of allegations contained in Paragraph 81 of the Complaint.

82. The allegations contained in Paragraph 82 of the Complaint set forth arguments or conclusions to which no responsive pleading is required. To the extent a response is deemed to be required, Defendants admit that the Hungarian government obtained a painting by Giorgio Vasari, *The Wedding Feast at Cana*, from the Montreal Museum of Fine Arts in Canada. Defendants admit that the painting, which had formed part of the collection of the Defendant Museum of Fine Arts since the nineteenth century, disappeared from the Ministry of Finance during World War II. Defendants lack knowledge or information sufficient to form a belief as to the truth of the remainder of allegations contained in Paragraph 82 of the Complaint.

83. The allegations contained in Paragraph 83 of the Complaint set forth arguments or conclusions to which no responsive pleading is required. To the extent a response is deemed to be required, Defendants admit that a delegation from Hungary attended the 1998 Washington Conference on Holocaust-Era Assets. Defendants further admit that the Hungarian delegation admitted that Hungary “took part in World War II as an ally of Germany” and that from March 1944 to April 1945 “[p]ersecution of Jews proliferated and the confiscation of Jewish property took place.” (Washington Conference on Holocaust-Era Assets (November 30-December 3, 1998) Proceedings 271 (Delegation Statement of Hungary) (J.D. Bindenagel ed., U.S. Gov’t 1999). Defendants also admit that the Hungarian delegation further stated: “The Hungarian Government is fully committed to the restitution or compensation of Holocaust victims concerning cultural assets. For managing this complex task – which includes scholarly research, political decision-making, bill drafting and negotiations . . . [and] contacts with Holocaust survivors, etc. – a state commissioner will be designated.”

84. The allegations contained in Paragraph 84 of the Complaint set forth arguments or conclusions to which no responsive pleading is required. To the extent a response is deemed to be required, Defendants deny that Hungary has not taken any action to restitute cultural assets in the possession of its Museums. Defendants lack knowledge or information sufficient to form a belief as to the truth of the remainder of allegations contained in Paragraph 84 of the Complaint.

THIS ACTION IS TIMELY

85. The allegations contained in Paragraph 85 of the Complaint set forth arguments or conclusions to which no responsive pleading is required. To the extent that a response is deemed to be required, Defendants deny the allegations contained in Paragraph 85 of the Complaint.

86. The allegations contained in Paragraph 86 of the Complaint set forth arguments or conclusions to which no responsive pleading is required. To the extent that a response is deemed to be required, Defendants deny the allegations contained in Paragraph 86 of the Complaint.

87. The allegations contained in Paragraph 87 of the Complaint set forth arguments or conclusions to which no responsive pleading is required. To the extent that a response is deemed to be required, Defendants deny the allegations contained in Paragraph 87 of the Complaint.

88. The allegations contained in Paragraph 88 of the Complaint set forth arguments or conclusions to which no responsive pleading is required. To the extent that a response is deemed to be required, Defendants deny the allegations contained in Paragraph 88 of the Complaint.

89. The allegations contained in Paragraph 89 of the Complaint set forth arguments or conclusions to which no responsive pleading is required. To the extent that a response is deemed to be required, Defendants deny the allegations contained in Paragraph 89 of the Complaint.

90. The allegations contained in Paragraph 90 of the Complaint set forth arguments or conclusions to which no responsive pleading is required. To the extent that a response is deemed to be required, Defendants deny the allegations contained in Paragraph 90 of the Complaint.

91. The allegations contained in Paragraph 91 of the Complaint set forth arguments or conclusions to which no responsive pleading is required. To the extent that a response is deemed to be required, Defendants deny the allegations contained in Paragraph 91 of the Complaint.

92. The allegations contained in Paragraph 92 of the Complaint set forth arguments or conclusions to which no responsive pleading is required. To the extent that a response is deemed to be required, Defendants deny the allegations contained in Paragraph 92 of the Complaint.

93. The allegations contained in Paragraph 93 of the Complaint set forth arguments or conclusions to which no responsive pleading is required. To the extent that a response is deemed to be required, Defendants admit that during the Communist Era, Hungary did not recognize individual property rights. Defendants lack knowledge or information sufficient to form a belief as to the truth of the remainder of allegations contained in Paragraph 93 of the Complaint.

94. Defendants admit that the Herzog Heirs commenced a lawsuit in Hungary and that the Hungarian courts issued a decision in 2008. Defendants deny the remainder of the allegations contained in Paragraphs 94 of the Complaint.

95. The allegations contained in Paragraph 95 of the Complaint set forth arguments or conclusions to which no responsive pleading is required. To the extent that a response is deemed to be required, Hungary admits the allegations contained in Paragraph 95 of the Complaint.

VII. CLAIMS FOR RELIEF

FIRST CLAIM FOR RELIEF

(BAILMENT)

96. Defendants repeat and reallege the responses to Paragraphs 1-95 above as if fully set forth herein.

97. Defendants deny the allegations contained in Paragraph 97 of the Complaint.

98. Defendants deny the allegations contained in Paragraph 98 of the Complaint.

99. Defendants deny the allegations contained in Paragraph 99 of the Complaint.

100. Defendants deny the allegations contained in Paragraph 100 of the Complaint.

101. The allegations contained in Paragraph 101 of the Complaint set forth arguments or conclusions to which no responsive pleading is required. To the extent that a response is deemed to be required, Defendants deny the allegations contained in Paragraph 101 of the Complaint.

102. The allegations contained in Paragraph 102 of the Complaint set forth arguments or conclusions to which no responsive pleading is required. To the extent that a response is deemed to be required, Defendants deny the allegations contained in Paragraph 102 of the Complaint.

103. Defendants deny the allegations contained in Paragraph 103 of the Complaint.

104. Defendants deny the allegations contained in Paragraph 104 of the Complaint.

105. Defendants deny the allegations contained in Paragraph 105 of the Complaint.

SECOND CLAIM FOR RELIEF

(CONVERSION)

106. Defendants repeat and reallege the responses to Paragraphs 1-105 above as if fully set forth herein.

107. Defendants deny the allegations contained in Paragraph 107 of the Complaint.

108. Defendants deny the allegations contained in Paragraph 108 of the Complaint.

109. Defendants deny the allegations contained in Paragraph 109 of the Complaint.

110. Defendants deny the allegations contained in Paragraph 110 of the Complaint.

THIRD CLAIM FOR RELIEF

(CONSTRUCTIVE TRUST)

111. Defendants repeat and reallege the responses to Paragraphs 1-110 above as if fully set forth herein.

112. Defendants deny the allegations contained in Paragraph 112 of the Complaint.

113. Defendants deny the allegations contained in Paragraph 113 of the Complaint.

FOURTH CLAIM FOR RELIEF

(ACCOUNTING)

114. Defendants repeat and reallege the responses to Paragraphs 1-113 above as if fully set forth herein.

115. Defendants deny the allegations contained in Paragraph 115 of the Complaint.

116. Defendants deny the allegations contained in Paragraph 116 of the Complaint.

117. Defendants deny the allegations contained in Paragraph 117 of the Complaint.

118. Defendants deny the allegations contained in Paragraph 118 of the Complaint.

119. Defendants deny the allegations contained in Paragraph 119 of the Complaint.

FIFTH CLAIM FOR RELIEF

(DECLARATORY RELIEF)

120. Defendants repeat and reallege the responses to Paragraphs 1-119 above as if fully set forth herein.

121. Defendants deny the allegations contained in Paragraph 121 of the Complaint.

122. Defendants deny the allegations contained in Paragraph 122 of the Complaint.

123. Defendants admit that they are not required to give the artworks once attributable to the Herzog Collection to the Herzog Heirs because Defendants acquired lawful ownership of the artworks once attributable to the Herzog Collection by nationalization, adverse possession, statute of limitations, and or agreement. Defendants deny the allegations contained in Paragraph 123 of the Complaint.

124. Defendants deny the allegations contained in Paragraph 124 of the Complaint.

SIXTH CLAIM FOR RELIEF

(RESTITUTION BASED ON UNJUST ENRICHMENT)

125. Defendants repeat and reallege the responses to Paragraphs 1-124 above as if fully set forth herein.

126. The allegations contained in Paragraph 126 of the Complaint set forth arguments or conclusions to which no responsive pleading is required. To the extent that a response is deemed to be required, Defendants deny the allegations contained in Paragraph 126 of the Complaint.

127. Defendants deny the allegations contained in Paragraph 127 of the Complaint.

128. Defendants deny the allegations contained in Paragraph 128 of the Complaint.

VIII. AFFIRMATIVE DEFENSES

FIRST AFFIRMATIVE DEFENSE

Hungary is the rightful owner of the artworks (once attributable to the Herzog Collection) that are the subject of this action.

SECOND AFFIRMATIVE DEFENSE

Defendants are immune from this Court's jurisdiction as no exception to the Foreign Sovereign Immunities Act ("FSIA"), 28 U.S.C. § 1330 *et seq.*, applies.

THIRD AFFIRMATIVE DEFENSE

This Court lacks subject matter and personal jurisdiction over some or all of Plaintiffs' claims.

FOURTH AFFIRMATIVE DEFENSE

Plaintiffs' claims are barred, in whole or in part, by generally recognized principles of international law, and bilateral and international treaties and agreements.

FIFTH AFFIRMATIVE DEFENSE

Plaintiffs' claims are barred by principles of international comity and res judicata.

SIXTH AFFIRMATIVE DEFENSE

Plaintiffs cannot demonstrate facts supporting a bailment claim.

SEVENTH AFFIRMATIVE DEFENSE

Plaintiffs cannot demonstrate facts supporting a conversion claim.

EIGHTH AFFIRMATIVE DEFENSE

Plaintiffs cannot demonstrate facts supporting a claim for a constructive trust.

NINTH AFFIRMATIVE DEFENSE

Plaintiffs cannot demonstrate facts supporting a claim for an accounting.

TENTH AFFIRMATIVE DEFENSE

Plaintiffs cannot demonstrate facts supporting a claim for declaratory relief.

ELEVENTH AFFIRMATIVE DEFENSE

Plaintiffs cannot demonstrate facts supporting a claim for unjust enrichment.

TWELFTH AFFIRMATIVE DEFENSE

Plaintiffs' claims are barred, in whole or in part, by the applicable statute(s) of limitations.

THIRTEENTH AFFIRMATIVE DEFENSE

The Court cannot properly adjudicate Plaintiffs' bailment claim as not all proper parties have been brought into the action.

FOURTEENTH AFFIRMATIVE DEFENSE

Plaintiffs' claims are barred, in whole or in part, by principles of adverse possession.

FIFTEENTH AFFIRMATIVE DEFENSE

Plaintiffs' claims are barred, in whole or in part, as a significant portion of the disputed artworks came into Hungary's possession as the result of lawful forfeiture actions against said property relating to criminal actions for unlawful smuggling brought against Plaintiffs, their predecessors, or those to whom such artworks were returned.

SIXTEENTH AFFIRMATIVE DEFENSE

Plaintiffs have not suffered the injuries or damages alleged or any other injuries or damages, as a result of Defendants' alleged actions.

SEVENTEENTH AFFIRMATIVE DEFENSE

Plaintiffs' claims are barred, in whole or in part, on the basis that Plaintiffs' alleged injuries and damages, if any, were caused or contributed to by the acts or omission of the Plaintiffs, their predecessors, or third parties over whom Defendants have no control.

EIGHTEENTH AFFIRMATIVE DEFENSE

Plaintiffs lack standing to bring the claims asserted or to seek the relief requested in the Complaint.

NINETEENTH AFFIRMATIVE DEFENSE

Plaintiffs' claims are barred by the doctrine of laches.

TWENTIETH AFFIRMATIVE DEFENSE

Plaintiffs' claims are barred as they raise non-justiciable political questions.

TWENTY-FIRST AFFIRMATIVE DEFENSE

Plaintiffs' claims are barred by the Act of State doctrine and/or by the Doctrine of Jurisdictional Immunity of States acting *Iure Imperii* pursuant to international customary law and international agreements.

TWENTY-SECOND AFFIRMATIVE DEFENSE

The doctrine of *forum non conveniens* warrants dismissal, as this case should be heard, if at all, in Hungary or Italy.

TWENTY-THIRD AFFIRMATIVE DEFENSE

Plaintiffs' claims are barred by relevant applicable foreign substantive law.

TWENTY-FOURTH AFFIRMATIVE DEFENSE

Relevant applicable foreign substantive law recognizes Defendants' ownership of the artworks once attributable to the Herzog Collection.

TWENTY-FIFTH AFFIRMATIVE DEFENSE

Defendants lawfully acquired one or more artworks from Plaintiffs through redemption, exchange, or sale.

TWENTY-SIXTH AFFIRMATIVE DEFENSE

Defendants lawfully acquired one or more artworks from Plaintiffs through a lawful donation.

TWENTY-SEVENTH AFFIRMATIVE DEFENSE

Plaintiffs failed to exhaust their remedies.

TWENTY-EIGHTH AFFIRMATIVE DEFENSE

Plaintiffs' claims are barred, in whole or in part, as a significant portion of the disputed works came into Defendants' Possession as the result of nationalization pursuant to Legislative Decree No. 13 of 1954, and other Communist-era laws.

TWENTY-NINTH AFFIRMATIVE DEFENSE

Plaintiffs' claims are barred, in whole or in part, as a significant portion of the disputed works came into Defendants' possession as redemption of an outstanding tax debt.

THIRTIETH AFFIRMATIVE DEFENSE

Plaintiffs' claims are barred, in whole or in part, by theories of dereliction or abandonment.

THIRTY-FIRST AFFIRMATIVE DEFENSE

Plaintiffs' claims are barred, in whole or in part, as portions of the disputed works were lawfully confiscated as Plaintiffs (or their predecessors) failed to comply with national decrees enacted to protect works of national importance.

THIRTY-SECOND AFFIRMATIVE DEFENSE

Defendants hereby reserve the right to amend this Answer and assert additional defenses as discovery progresses and reveal the need for same.

PRAYER FOR RELIEF

WHEREFORE, Defendants respectfully request that the Court:

- A. Dismiss the Plaintiffs' Complaint, with prejudice;

- B. Enter judgment for Defendants on all claims in Plaintiffs' Complaint;
- C. Award Defendants their costs and disbursements of litigation;
- D. Issue a decision recognizing Hungary as the lawful owner of the disputed artworks; and
- E. Grant such other and further relief as the Court deems appropriate.

Dated: October 31, 2013

Respectfully submitted,

/s/ D. Grayson Yeargin

D. Grayson Yeargin (Bar No. 476324)

Emily C. Harlan (Bar No. 989267)

NIXON PEABODY LLP

401 Ninth Street, N.W., Suite 900

Washington, D.C. 20004-2128

Telephone: (202) 585-8000

Facsimile: (202) 585-8080

gyeargin@nixonpeabody.com

eharlan@nixonpeabody.com

Counsel for Defendants

Thaddeus J. Stauber

Sarah Erickson André

Gas Company Tower

NIXON PEABODY LLP

555 West Fifth Street, 46th Floor

Los Angeles, CA 90013

Telephone: (213) 629-6000

Facsimile: (213) 629-6001

tstauber@nixonpeabody.com

sandre@nixonpeabody.com

Counsel for Defendants

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 31st day of October, 2013, I caused a true and correct copy of the foregoing Answer of Defendants Republic of Hungary, The Hungarian National Gallery, The Museum of Fine Arts, The Museum of Applied Arts, and the Budapest University of Technology and Economics to Plaintiffs' Complaint to be filed electronically with the United States District Court for the District of Columbia. I also certify that I caused the foregoing to be served via first-class mail, postage prepaid, upon the following:

Michael D. Hays
Alyssa Tami Saunders
DOW LOHNES PLLC
1200 New Hampshire Avenue, N.W., Suite 800
Washington, D.C., 20036
Counsel for Plaintiffs

Of Counsel:

Sheron Korpus (pro hac vice)
Alycia Regan Benenati (pro hac vice)
KASOWITZ BENSON TORRES & FRIEDMAN LLP
1633 Broadway
New York, New York 10019
Tel: (212) 506-1700
Fax: (212) 506-1800
skorpus@kasowitz.com
abenenati@kasowitz.com

Michael Shuster (pro hac vice)
Dorit U. Black (pro hac vice)
HOLWELL SHUSTER & GOLDBERG LLP
335 Madison Avenue, 9th Floor
New York, NY 10017
Tel: (646) 837-5151
Fax: (646) 837-5150
mshuster@hsgllp.com
dblack@hsgllp.com

/s/ Emily C. Harlan