

1974  
(NOTE TO COMMUNICATIONS STATIONS: THE FOLLOWING DISPATCH IS IMPORTANT, AND SHOULD BE BROUGHT TO THE ATTENTION OF THE DISTADS AND DELIVERED TO THE RADIO BROADCASTING STATIONS AS SOON AS RECEIVED.)

(TRANSPAC PLACED IN RECEIVERSHIP)

SAIPAN, FEB. 16 (MNS)---THE TRUST TERRITORY'S FRANCHISED SHIPPING COMPANY, TRANSPACIFIC LINES, INC., WAS OFFICIALLY DECLARED TO BE IN A "STATE OF INSOLVENCY" FRIDAY (FEB. 15), AND WAS PLACED IN RECEIVERSHIP BY ORDER OF THE GOVERNMENT.

THE ACTION CAME WHEN AN EXECUTIVE ORDER SIGNED BY DEPUTY HIGH COMMISSIONER PETER T. COLEMAN WAS DELIVERED TO THE GOVERNMENT-DESIGNATED RECEIVER, SAIPAN BUSINESSMAN DAVID M. SABLAN. SABLAN FORMALLY ACCEPTED THE APPOINTMENT AND TOOK OVER THE COMPANY AT SIX P.M. FRIDAY EVENING ON SAIPAN.

"THE SITUATION HAD REACHED A POINT WHERE SOME ACTION HAD TO BE TAKEN BY THE GOVERNMENT," COLEMAN SAID. "THE COMPANY HAD APPARENTLY LOST ITS LEADERSHIP." HE EXPLAINED THAT THE SPECIFIC EVENT WHICH PRECIPITATED THE FRIDAY ACTION WAS THE THREAT BY THE OWNERS OF THE M/V LOTTE REITH TO DIVERT THE SHIP AND HER CARGO IN MID-OCEAN IF BACK PAYMENTS DUE ON HER CHARTER WERE NOT PAID. THE SHIP IS ON HER WAY FROM JAPAN TO SAIPAN WITH MORE THAN 2,000 TONS OF PRE-PAID CARGO ON BOARD, DESTINED FOR ALL TRUST TERRITORY DISTRICTS. THE CARGO COULD HAVE BEEN SOLD AT AUCTION BY THE OWNERS OF THE SHIP, THE ORION SHIFFAHRTS GASELLSCHAFT OF HAMBURG, GERMANY.

IMMEDIATELY AFTER COLEMAN'S ACTION PLACING TRANSPAC IN RECEIVERSHIP, A TELEGRAM WAS SENT TO ORION GIVING THE FIRM NOTIFICATION THAT THE GOVERNMENT WILL GUARANTEE THE "RECEIVER WILL BE PREPARED TO PAY REGULAR CHARTER HIRE PAYMENTS THAT ARE NOW DUE." EARLY SATURDAY MORNING A REPLY FROM ORION INDICATED THEY WOULD NEED PAYMENT BEFORE THE SHIP COULD BE PERMITTED TO ENTER ANY PORT, BUT INDICATIONS WERE THE LOTTE REITH WOULD NOT BE DIVERTED.

AS RECEIVER, IT WILL BE SABLAN'S RESPONSIBILITY TO GATHER AND PROTECT THE ASSETS OF TRANSPAC, TAKE AN INVENTORY OF THE ASSETS AND DEBTS OF THE COMPANY, AND MAKE A DETERMINATION AS TO WHETHER THE COMPANY SHOULD CONTINUE IN OPERATION. HE IS TO MAKE BI-WKLY REPORTS ON THE OPERATION OF THE COMPANY TO THE HIGH COMMISSIONER OF THE TRUST TERRITORY.

SABLAN MET SATURDAY MORNING WITH GOVERNMENT TRANSPORTATION AND LEGAL OFFICIALS, AND WITH OFFICIALS OF TRANSPAC. IN ONE OF HIS FIRST ACTIONS, HE MOVED TO FORMALLY ACCEPT THE RESIGNATION OF C. DOUGLAS ECHOLS AS MANAGING DIRECTOR OF THE COMPANY. ECHOLS HAD SUBMITTED HIS RESIGNATION TO A MEETING OF THE TRANSPAC SHAREHOLDERS ON TUESDAY, FEBRUARY 12, BUT NO ACTION HAD BEEN TAKEN ON IT.

SABLAN ALSO ASKED TRANSPAC GENERAL MANAGER WILLIAM PENROSE AND CORPORATION COUNSEL JAMES WHITE TO REMAIN IN THEIR POSITIONS UNTIL FURTHER NOTICE. BOTH MEN WERE PRESENT AT THE MEETING AND HAVE PLEDGED THEIR FULL COOPERATION. SABLAN ALSO SAID HE HOPES TO MEET AT THE EARLIEST OPPORTUNITY WITH EMPLOYEES OF TRANSPAC TO DISCUSS THEIR POSITIONS AND FUTURE WITH THE COMPANY. HE SAID HE HOPES THAT EMPLOYEES WILL NOT TAKE ANY HASTY ACTION AS A RESULT OF TRANSPAC'S CURRENT DIFFICULTIES, POINTING OUT THAT TRANSPAC IS STILL IN BUSINESS AND NO DETERMINATION HAS YET BEEN MADE ON WHETHER THE COMPANY WILL CONTINUE OPERATING OR GO OUT OF BUSINESS.

"WHAT WE'RE CONSIDERING NOW ARE THE PRESSING THINGS," SABLAN STATED. "THESE INCLUDE THE CARGOES PRESENTLY IN TRANSIT THAT COULD BE DIVERTED, SUCH AS ON THE LOTTE REITH, THE CONTAINERS ON GUAM THAT NEED TO BE MOVED TO THE DISTRICTS, AND SO FORTH." HE SAID HE INTENDS TO CONTACT JOSE SARMIENTO, MANAGER OF THE GUAM PORT, AS SOON AS POSSIBLE TO WORK OUT AN

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ARRANGEMENT FOR MOVING TRANSPAC CARGO THAT IS ON GUAM, THE PORT IS ONE OF TRANSPAC'S CREDITORS, AND EARLIER THIS YEAR HAD REFUSED TO HANDLE FURTHER TRANSPAC VOYAGES UNTIL ITS PAS DUE BILLS HAD BEEN PAID.

ONE QUESTION STILL NOT RESOLVED IS THE STATUS OF THE TRANSPAC FRANCHISE. IT IS NOT AUTOMATICALLY CANCELLED WITH THE ACTION PLACING THE COMPANY IN RECEIVERSHIP, BUT THAT IS A POSSIBILITY, AND DEPUTY HIGH COMMISSIONER COLEMAN SAID SATURDAY THE GOVERNMENT IS CAREFULLY REVIEWING THE SITUATION. HIGH COMMISSIONER EDWARD E. JOHNSTON WAS DUE TO RETURN TO SAIPAN FROM HAWAII SATURDAY AFTERNOON, AND A DECISION REGARDING THE FRANCHISE WAS EXPECTED WITHIN A FEW DAYS. JUST WHAT CANCELLATION OF THE FRANCHISE MIGHT MEAN TO THE FORTUNES OF TRANSPAC UNDER THE PRESENT CIRCUMSTANCES WAS UNCLEAR.

THE ACTION TAKEN BY COLEMAN FRIDAY WAS NOT UNEXPECTED. IT FOLLOWED A TURBULENT WEEK DURING WHICH BOTH TRANSPAC SHAREHOLDERS AND THE COMPANY'S BOARD OF DIRECTORS FAILED TO ACCOMPLISH ANYTHING AT SCHEDULED MEETINGS TOWARD RESOLVING TRANSPAC'S

PROBLEMS. -THE ECHOLS RESIGNATION WAS UNEXPECTED, AS WAS A COURT RESTRAINING ORDER LATER IN THE WEEK THAT PREVENTED THE TT GOVERNMENT FROM VOTING THE 210,000 COMPANY SHARES THAT IT HOLDS IN TRUST, THEREBY PRECLUDING ANY EFFECTIVE ACTION BEING TAKEN AT THE SHAREHOLDERS MEETING. CORPORATE OFFICERS COULD NOT BE GATHERED FOR A BOARD MEETING, AND SOME BOARD MEMBERS WALKED OUT OF ONE GATHERING. EARLY FRIDAY MORNING THE TRANSPAC COUNSEL, JAMES WHITE, ATTEMPTED THROUGH THE TRUST TERRITORY HIGH COURT TO PUT THE COMPANY INTO RECEIVERSHIP, ACTING WITHOUT THE AUTHORITY OF THE BOARD BECAUSE THE BOARD COULD NOT BE CONVENED. HE FAILED IN THIS ATTEMPT. THEN CAME THE THREAT OF DIVERSION OF THE LOTTE REITH, AND THE TT GOVERNMENT WAS FINALLY FORCED TO ACT TO PROTECT THE CARGO AND THE ASSETS OF THE COMPANY.

(NOTE TO EDITORS AND NEWS DIRECTORS: FOLLOWING IS THE COMPLETE TEXT OF EXECUTIVE ORDER NO. 113, BY WHICH DEPUTY HIGH COMMISSIONER COLEMAN PLACED TRANSPAC IN RECEIVERSHIP.)

(EXECUTIVE ORDER TEXT)

SAIPAN, FEB. 16 (MNS)---HERE IS THE TEXT OF THE EXECUTIVE ORDER SIGNED FRIDAY (FEB. 15) ON SAIPAN BY DEPUTY HIGH COMMISSIONER PETER T. COLEMAN, BY WHICH TRANSPACIFIC LINES, INC. WAS PLACED INTO RECEIVERSHIP:

"WHEREAS, THERE IS SUFFICIENT EVIDENCE TO INDICATE THAT TRANSPACIFIC LINES, INC., A TRUST TERRITORY CORPORATION, IS NOW INSOLVENT; AND

"WHEREAS, THE MANAGING DIRECTOR OF TRANSPACIFIC LINES, INC. HAS RESIGNED HIS POSITION ON FEBRUARY 12, 1974 THEREBY DEPRIVING TRANSPACIFIC LINES, INC., OF EFFECTIVE MANAGEMENT; AND

"WHEREAS, THE SHAREHOLDERS REPRESENTED AT THE ANNUAL SHAREHOLDERS MEETING CALLED FOR FEBRUARY 12, 1974 HAVE BEEN UNABLE TO ACT BECAUSE OF A TEMPORARY RESTRAINING ORDER ISSUED AGAINST THE SHAREHOLDERS AND A TRUSTEE OF A SUBSTANTIAL NUMBER OF SHARES OF TRANSPACIFIC LINES, INC.; AND

"WHEREAS, THE PRESENT BOARD OF DIRECTORS AT ITS MEETING ON FEBRUARY 13, 1974 HAS BEEN UNABLE TO ACT BECAUSE OF THE LACK OF A QUORUM; AND

"WHEREAS, THE EXECUTIVE COMMITTEE OF THE BOARD OF DIRECTORS OF THE CORPORATION HAS BEEN UNABLE TO ACT BECAUSE OF LACK OF A QUORUM; AND

"WHEREAS, THE GENERAL COUNSEL OF TRANSPACIFIC LINES, INC., HAS FILED AN APPLICATION FOR VOLUNTARY RECEIVERSHIP IN THE HIGH COURT OF THE TRUST TERRITORY OF FEBRUARY 15, 1974, AND HAS BEEN UNSUCCESSFUL IN HAVING A RECEIVER APPOINTED; AND

"WHEREAS, M/V LOTTE REITH, THE PRIME CARRIER OF TRANSPACIFIC LINES, INC., WITH AT LEAST TWO THOUSAND TONS OF CARGO FROM THE

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FAR EAST PORTS DESTINED TO TRUST TERRITORY CONSIGNEES, IS NOW IN DANGER OF BEING DIVERTED BY THE OWNER OF THE SHIP TO ENABLE THE OWNER TO SELL THE CARGO ON THE SAID SHIP TO PAY FOR CHARTER HIRE PAYMENTS OUTSTANDING: AND

"WHEREAS, THERE IS PRESENTLY A SUBSTANTIAL NUMBER OF CONTAINERS AT THE COMMERCIAL PORT OF GUAM FOR TRANSSHIPMENT TO TRUST TERRITORY PORTS AND THERE APPEARS TO BE NO CAPABILITY IN THE TRANSPACIFIC LINES, INC., TO DELIVER THESE CONTAINERS TO THEIR DESTINATIONS: AND

"WHEREAS, THE SITUATION HAS NOW SO DETERIORATED THAT THERE IS A DANGER OF SPOILIATION AND WASTE OF CORPORATE ASSETS, MASSIVE FILING OF CLAIMS, AND COMPLETE DISRUPTION OF SERVICE REQUIRED TO BE PERFORMED UNDER THE WATER TRANSPORTATION AGREEMENT OF 1958: AND

"WHEREAS, CONDITION 5 OF THE CHARTER OF INCORPORATION ISSUED TO TRANSPACIFIC LINES, INC, ON AUGUST 22, 1968, PROVIDES THE FOLLOWING:

'IF AT ANY TIME AN INSPECTION OF THE BOOKS AND RECORDS OF THE CORPORATION BY AN AUTHORIZED REPRESENTATIVE OF THE GOVERNMENT OR BY THE REGISTRAR OF CORPORATIONS OF THE TRUST TERRITORY, REVEALS IMPAIRMENT OF CAPITAL OR MANAGEMENT PRACTICES ENDANGERING THE SOLVENCY OF THE CORPORATION, THE HIGH COMMISSIONER MAY TAKE SUCH STEPS AS ARE NECESSARY TO PROTECT THE EQUITIES OF CREDITORS AND STOCKHOLDERS, INCLUDING THE APPOINTMENT OF A RECEIVER AND DISSOLUTION OF THE CORPORATION.'; AND

"WHEREAS THE PUBLIC REPRESENTATIONS OF THE CORPORATE REPRESENTATIVES CLEARLY REVEAL IMPAIRMENT OF CAPITAL: AND

"WHEREAS, IT IS IN THE BEST INTEREST OF THE CREDITORS, STOCKHOLDERS, SHIPPERS, CONSIGNEES, EMPLOYEES OF TRANSPACIFIC LINES, INC., AND THE PEOPLE OF THE TRUST TERRITORY THAT A RECEIVER OR RECEIVERS BE APPOINTED TO PROTECT THE EQUITIES OF ALL PARTIES CONCERNED:

"NOW, THEREFORE, I, PETER T. COLEMAN, DEPUTY HIGH COMMISSIONER OF THE TRUST TERRITORY OF THE PACIFIC ISLANDS, ACTION IN THE ABSENCE OF AND WITH THE CONCURRENCE OF THE HIGH COMMISSIONER WHO IS WITHOUT THE GEOGRAPHICAL LIMITS OF THE TRUST TERRITORY, PURSUANT TO AUTHORITY VESTED IN ME BY LAW, THE CORPORATE CHARTER AND SECRETARIAL ORDER NO. 2918, AS AMENDED, HEREBY DECLARE THE TRANSPACIFIC LINES, INC., A TRUST TERRITORY CORPORATION, TO BE IN A STATE OF INSOLVENCY AND THEREFORE PLACE SAID CORPORATION IN RECEIVERSHIP, AND APPOINT MR. DAVID M. SABLAN OF SAIPAN, MARIANA ISLANDS, AS RECEIVER WITH FULL AUTHORITY TO ACT IN THE BEST INTERESTS OF ALL PARTIES CONCERNED, ESPECIALLY WITH THE GENERAL WELFARE OF THE ENTIRE PEOPLE OF MICRONESIA BEING UPPERMOST: THAT SAID RECEIVER SHALL MAKE BIWEEKLY REPORTS TO THE HIGH COMMISSIONER AS TO THE AFFAIRS OF THE SAID CORPORATION.

"IN WITNESS WHEREOF, I HAVE HEREUNTO SET MY HAND AND AFFIXED MY SEAL THIS 15TH DAY OF FEBRUARY, 1974."

THE DOCUMENT WAS HAND-DELIVERED TO SABLAN, WHO SIGNED IT AND ACCEPTED THE APPOINTMENT AS RECEIVER AT 6:00 P.M. ON FRIDAY, FEBRUARY 15, 1974.

(NOTE TO EDITORS AND NEWS DIRECTORS: WHILE THE TERMS INSOLVENT AND BANKRUPT ARE SYNONYMOUS, IT IS TECHNICALLY MORE CORRECT IN THIS CASE TO REFER TO TRANSPAC AS BEING "IN RECEIVERSHIP" OR "IN A STATE OF INSOLVENCY" RATHER THAN AS BANKRUPT. THE COMPANY REMAINS IN BUSINESS, AND BANKRUPT MAY BE A MISLEADING TERM TO THE GENERAL PUBLIC IN THIS SENSE.)

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