

## Transpac Lines

# Receivership End Motion Filed

By Diane Maddex  
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SAIPAN — A long-expected motion to dissolve the Transpac Lines receivership was filed Thursday on grounds that the receivership is based on gross irregularities and a denial of due process.

It also asserts that the government-appointed receiver John F. Meadows, is "a mere agent of the Trust Territory government, a receiver who has been publicly charged with the destruction of the corporation."

His conduct, the motion says, "approaches malfeasance in that he has utterly failed to take any known action to permit the corporation to retain its (TT) franchise."

The plea asks the High Court of the Trust Territory to take eight actions: to vacate its February orders approving creation of the receivership; dismiss the current receiver because of "acute conflict of interest;" stop dissolution of Transpac; permit Transpac to sue and be sued; eliminate the TT government's priority in

claims against Transpac's assets; prevent cancellation of Transpac's franchise; require the receiver to post a \$31 million bond; and order a full hearing requiring the TT to justify all its actions in placing the company in receivership.

Associate Justice Arvin H. Brown Jr. has scheduled a hearing for 2 p.m. Wednesday.

Witnesses being summoned to testify are High Commissioner Edward E. Johnston, TT Attorney General Richard I. Miyamoto, TT Transportation and Communications Director Joseph W. Beadles Jr., TT Transportation Division Chief Wayne C. Thiessen, Meadows, receivership counsel James White, assistant receiver William Penrose and former receiver David M. Sablan. The summonses have the effect of subpoenas.

The motion was brought by the Family Chain Store of Yap, Ponaape Federation of Cooperative Associations, Pedro Guerrero, Virginia Dmapan,

Manuel Muna and Carlos Shoda. They are, respectively, creditors, holders of default, shareholders and plaintiffs in a suit against Transpac and its employees.

The six are represented by Douglas F. Cushnie of Arriola, Cushnie & Stevens on Guam. Cushnie also serves as counsel for George F. Kiskaddon of San Francisco, a major shareholder in the now-bankrupt Transpac.

By executive order of Deputy High Commissioner Peter T. Coleman Feb. 15, the TT's franchised carrier was placed in receivership. TT Chief Justice Harold W. Burnett then recognized the receivership and the first receiver, David Sablan. A second executive order appointing Meadows as receiver called for the dissolution of Transpac.

Yesterday's motion, the culmination of dozens of recent suits against Transpac, charges that the government's unilateral action creating the receivership was a denial due process because no hearing was held and no

advance notice was given.

The motion contends that the High Commissioner failed to comply with the company's TT charter requiring a prior inspection of its books. This would have to be done the motion asserts, before the government could conclude that Transpac's capital was impaired and its management practices were endangering the corporation's insolvency.

The motion further claims there was no basis for the order that Transpac be dissolved. While involuntary dissolution of a corporation is permitted under TT laws for certain deficiencies, the parties making the motion contend that there was no evidence that Transpac had allowed these deficiencies to develop. The deficiencies include exceeding or abusing legal authority and failing to maintain an office or agent in the TT.

Even if the government is able to establish its authority to put Transpac into receivership, the

motion contends, the current receiver must be dismissed.

It cites the fact that Meadows, when he was an attorney for the U.S. Justice Department, represented Miyamoto in a suit brought by Kiskaddon.

"Meadows' close relationship with the government over the past two years, the same government which is presently endeavoring to destroy Transpac Lines," the motion states, "does not permit him to be a receiver, to protect the equities of creditors and stockholders as required ..."

It also is asserted that the appointments of both Meadows and Sablan, having been made ex parte and without notice, further violated principles of due process.

Sablan resigned because his receivership duties were beginning to pose conflicts of interest with his position as vice president and general manager of Microl Corp. on Saipan, a division of Atkins-Kroll.

(Continued on page 16)

# Transpac

(Continued from page 9)

The reason indicated at the time was that Daiwa Navigation Co., represented locally by Microl, was interested in moving into Transpac's previous shipping spheres in the TT.

Sablan and Coleman, who appointed him, are in-laws. Sablan also was successful last year in obtaining TT and Interior Department approval for a previously unauthorized arrangement sanctioning possible Japanese investments in a hotel Sablan is building.

Another allegation raised in the motion is that the TT's request for priority reimbursement of expenses incurred in keeping the receivership afloat oversteps legal bounds.

"It is hard to imagine a more blatant taking without due process," says the motion, "than the

reduction in priority of existing liens by executive and judicial fiat without notice."

The motion also asserts that Transpac's franchise to provide nearly exclusive shipping in the TT is "one of the last remaining assets of the corporation" and thus should be protected for the benefit of Transpac shareholders and creditors.

The \$31 million bond sought represents the amount the motion claims Transpac could have earned from a lawsuit if it had not been placed in receivership. The suit, filed in the U.S. Court of Claims by Kishaddon and other shareholders, still is pending.

The Transpac receivership is believed to be the first in the Trust Territory, so there is not an extensive body of law or precedents by which to measure the current controversy.