

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : 01

DATE: 11 February 1958

FROM : 14

SUBJECT: Saipan Special Deposit Fund

1. Attached is a copy of a memorandum I have given Admiral HOPWOOD on the background and operations of the Saipan Special Deposit Fund.

Very respectfully,

C. E. HERRICK
Commander, U. S. Navy
Island Government Officer

10 February 1958

MEMORANDUM

From: 14
To: 00

Subj: Saipan Special Deposit Fund

Encl: (1) Statement of the Saipan Special Deposit Fund as of
31 January 1958

1. During 1956, settlement was made by the United States Government with the Government of the Trust Territory, Saipan District, for Trust Territory land which had been retained for military purposes. This settlement involved a sum of \$984,183.00 of which \$788,876.20 was paid to the Treasurer of the Government of the Trust Territory, Saipan District, upon execution of the land transfer documents, and of which the balance of \$195,306.80 was to be paid during fiscal 1957 and '58 (\$85,000.00 was paid in fiscal 1957, and the balance of \$110,306.80 will be due during June 1958).
2. Subsequent to the receipt of the funds the Saipan Special Deposit Fund was created on 27 August 1956 with CINCPACFLT as Trustee to hold the funds in trust for the benefit of the Saipanese people. For policy purposes CINCPACFLT serial 3547 of 20 August 1956 stated that "the funds . . . should be exclusively reserved for use in connection with programs and projects designed to serve and enhance the indigenous inhabitants of the Saipan District. These programs and projects will be primarily those encompassed by Article 6 of the Trusteeship Agreement for the Trust Territory of the Pacific Islands (covering political, economic, social and educational advancement)."
3. Management of the Saipan Special Deposit Fund was vested in a Board of three members consisting of the senior Supply Corps Officer (other than the Fleet Supply Officer), the senior Legal Officer, and the senior Island Government Officer on the Staff of CINCPACFLT. This Board acting under the supervision of the Trustee and on his behalf is empowered to receive, deposit, control, protect and invest the funds received in the name of the Special Deposit Fund, Saipan District.
4. For stewardship purposes, the Trustee laid down the following policy in respect to the Special Deposit Fund:
 - a. Funds would only be invested in U. S. Government securities or Certificates of Deposits secured by U. S. Government Bonds in order that maximum security would be maintained at all times and that the Trustee

would be fully protected.

b. Funds would be so invested as to provide ready access to monies as required. Along this line investments have been planned with maturity dates occurring approximately every three months in amounts representing approximately 25% of the total fund.

c. Funds would be so invested as to earn a maximum return while preserving complete security of capital.

5. At the request of the Trustee, Mr. R. A. PETERSON, President of the Bank of Hawaii was contacted for advice and assistance in setting up the Special Deposit Fund and in arranging for the investment of monies held in connection therewith. All funds have subsequently been deposited or invested with the Bank of Hawaii, except as described below.

6. Just prior to the establishment of the Special Deposit Fund, a loan of \$25,000.00 from available funds was made by CINCPACFLT to the Saipan Shipping Company for purposes of assisting in the purchase of a vessel to be used in operations between Guam and the Northern Marianas. This loan bearing 3% interest was secured by the vessel, appraised at \$50,000.00, and is subject to repayment at \$500.00 per month for 24 months, and \$600.00 per month for the next 25 months. To date the monthly payments have been met promptly. The balance due on 31 January 1958 was \$17,867.22. This item is currently carried as an outstanding loan from the Special Deposit Fund and payments made thereunder are credited to the fund.

7. Upon the establishment of the Special Deposit Fund, the Naval Administrator was requested to submit to CINCPACFLT such proposals and recommendations as he might have for utilizing the funds within the policy framework established by the Trustee. Subsequently a scholarship program was approved by the Trustee to assist qualified Saipanese students in the pursuit of studies in agriculture, education, nursing and medicine at the university level. Last September three students were enrolled at the University of Hawaii (two in agriculture and one in education), on scholarships financed by the Special Deposit Fund in the amount of \$2,000.00 per student per year. Another student is being processed for eventual enrollment in a Nurse Training Program at a Honolulu hospital. Future planning contemplates a renewal of the present scholarships, subject to satisfactory performance, until degree work is completed, and further enrollment of a maximum of four qualified candidates each succeeding year with the ultimate objective of having 16 scholarship students in university training. Each scholarship recipient is required to sign a contract providing for a return to Saipan upon completion of their studies and employment by the Government of Saipan on the basis of one year's employment for each year of study.

8. Pursuant to a proposal submitted by the Naval Administrator, Saipan,

the Trustee, in December 1957, approved in principle the providing of financial assistance from the Special Deposit Fund for the purpose of aiding the development and growth of economic activities. The Naval Administrator, Saipan, was requested to provide certain specific information in connection with individual proposals, which as of this date have not been received.

9. In addition to the foregoing, a study is now being made relative to the construction of a public high school on Saipan for which assistance will be provided from the Special Deposit Fund.

10. Upon receipt of the last land payment of \$110,306.80 in June 1958 plus accumulated interest earnings on the present funds, the Special Deposit Fund will exceed \$1,000,000.00. Firm commitments for expenditure from this fund are currently minor. However, the policy has not been to spend from this fund for the purpose of getting rid of the money, but rather to proceed cautiously, assuring sound usage of capital and at all times protecting the Trustee from any criticism of dereliction in the dissipation of the fund.

11. A statement of the Saipan Special Deposit Fund as of 31 January 1958 is attached.

Very respectfully,

C. E. HERRICK
Commander, U. S. Navy
Island Government Officer

**SAIPAN SPECIAL DEPOSIT FUND
AS OF 31 JANUARY 1958**

Cash	\$ 14,262.20
Bank of Hawaii - Special Deposit Fund	\$10,366.41
Bank of Hawaii - Scholarship Fund	<u>3,895.79</u>
 Time Deposits - Bank of Hawaii	 860,000.00
#OA-1 of 6 Sep 56 due 1 Feb 58 @ 3%	\$600,000.00
844 of 1 May 57 due 1 May 58 @ 3%	15,000.00
1012 of 1 Aug 57 due 1 May 58 @ 3%	80,000.00
1017 of 1 Aug 57 due 1 May 58 @ 3%	85,000.00
1006 of 1 Aug 57 due 1 Aug 58 @ 3%	<u>80,000.00</u>
 Loans Outstanding	 17,867.22
Saipan Shipping Company	
Total Assets	<u>\$892,129.42</u>
 Liabilities	 - 0 -
Net Worth	<u>892,129.42</u>
Total Liabilities & Net Worth	\$892,129.42

Anticipated Receipts during Fiscal Year 1958 under Saipan Land Use Agreement	 \$110,306.80