

CHAPTER X

TOVREA AND THE TANKERS

We were seated in Phil's room in a New York hotel discussing with a ship broker the possibility of using or selling one or more of the tankers in the Great Lakes area when the ship broker started to chuckle. "Excuse me, Mr. Tovrea", he said, "but I can't help laughing a bit when I think how incongruous it is that you, an Arizona cattleman, have the largest privately owned fleet of tanker vessels in the world today." Numerically speaking, the ship broker was without doubt correct, although the combined capacity of all nineteen tankers involved was no greater than that of a single ocean-going oil tanker of the type in use at that time, nor one third of the capacity of the present day oil tanker. The circumstances which led up to this Arizona cattleman being in this ludicrous situation were succinctly described by Norman S. Hull in his opening brief on appeal to the Supreme Court of the State of Arizona in **Linsenmeyer, et al. v. Tovrea, et al.**, as follows:

"Tovrea Company purchased the tankers by written contract from the United States Government on May 17, 1946. The tankers were purchased as war surplus properties. Tovrea Company was dealing extensively in the purchase and sale of war surplus properties. It was registered with all departments of the United States concerned with the disposition of such properties, and it employed agents to negotiate purchases and resales thereof. T. C. Gould was such an agent, and it was he who signed the purchase contract as the authorized representative of Tovrea Company. Gould also negotiated with the Republic of France for resale of the tankers at a substantial profit to Tovrea Company. Gould had given assurances to Tovrea Company that such resale would be made, but, due to a change in personnel in the office of the President of France with which he was negotiating, and due to the unwillingness of the new personnel to purchase the tankers, the resale was not made."

I had met Phil Tovrea only once before moving from the discontinued Bisbee office to the Phoenix office in the early fall of 1935, where I continued my association with Ellinwood

& Ross. Shortly after getting settled in the office at Phoenix, I was sent to Los Angeles on a mission for Phil which involved a major customer for distribution of Tovrea Packing Company meat products in the Los Angeles area. This wholesale distribution firm was over-extended and unable to pay its creditors. In order to maintain the outlet for Tovrea meat products, Phil had arranged to purchase the creditors' claims at about fifty cents on the dollar, and thus to keep the distributor in business. This involved the outlay of what in the latter part of the depression was a considerable sum of money, but with the cooperation of the distributor and all of the creditors, the mission was successfully accomplished and the distributor continued in business. The undertaking required courage on Phil's part and was a good example of the shrewd and aggressive characteristics of this forceful individual.

Phil's father, E. A. Tovrea, had been a meat packer for a number of years in the Warren District in Cochise County, where he had married Phil's stepmother, Della Tovrea, later Mrs. Della Stuart. After moving to Phoenix in the late 'teens,



Tovrea "Castle"

*From the Historical Collection
Compiled by
Herb and Dorothy McLaughlin*

E. A. Tovrea acquired control of a meat packing business which at that time was known as Arizona Packing Company. Shortly before his death, E. A. Tovrea purchased a property located between East Van Buren and East Washington Street, near the packing plant, known as Carrera Heights, upon which there had been built in about 1929 on top of a hill a gambling casino bearing the appearance of a castle. Mr. Tovrea moved into this strange looking structure and made it his home until his death in 1932.

Following his father's death, Phil assumed control of Arizona Packing Company and shortly thereafter caused the name to be changed to Tovrea Packing Company. At that time, and for a number of years afterwards, he was ably assisted in the administration of the affairs of the company by Ralph Blake, who was in charge of the meat packing operations, and by William Bainbridge, who was the administrative assistant in charge of the office and sales organization. Bainbridge drowned in the early 1940's while on a fishing expedition in the Gulf of California, and not long thereafter Blake passed away. E. E. Barnard, who had been employed under Bainbridge in the office, succeeded him as Phil's administrative assistant.

Phil had two sons, Ed and Phil, Jr., both of whom were in the Air Corps during the war. Ed was shot down over the English Channel from which he was rescued by a German patrol boat, and thereafter he languished for about two years in a German prison camp. Actually, he was very active while in the German's hands in organizing and assisting in escape efforts involving underground tunnels secretly built, and through which several escape attempts were made. Fortunately, Ed was not one of the prisoners chosen for an escape attempt, as most of them were captured and shot. Phil, Jr. flew his full quota of bomber missions unscathed and returned home, where he was joined by his brother Ed after the war. Both became engaged in the affairs of the packing company, Ed more particularly in livestock feeding, and Phil, Jr., in construction of the administration building and the feeding pens. However, neither was particularly interested in the meat packing operations.

During the war government controls were so onerous that combined feeder and meat packing operations became un-

profitable. Phil organized various groups of employees and friends who went into the cattle feeding business, which the packing company itself, because of price controls, could not pursue profitably. These ventures turned out successfully for the participants, and served as a means of increasing the compensation of a number of key employees of the packing company whose wages or salaries were frozen by government edict.

After he had committed the company to purchase of the tankers, Phil wired from Paris instructions to make funds available for payment to the United States government of the purchase price for the vessels. A meeting of the board of directors of Tovrea Packing Company was promptly called, at which time the necessary authority to borrow the required funds was voted unanimously.

Then followed a series of negotiations in Europe by Phil for disposition of the tankers to various governments and private enterprises. At this time it was thought that the tankers could still be disposed of at a substantial profit to the company. However, this was a period of blocked currencies in Europe and it was impossible legally to sell anything and to convert the proceeds into American exchange. A few of the boats were chartered for transportation of fresh water in various French harbors, and others were placed in the Mediterranean wine trade or were converted to carry tar. In one way or another the proceeds realized from these operations were transmitted to Phil in Phoenix, as Phil had now returned from Europe.

On his way back to this country Phil arranged in New York, through a firm of admiralty lawyers there, for the organization of four Panamanian companies, into each of which title to four or five of the ships was placed, and through which the vessels were registered under the Panamanian flag. This was done to obtain foreign registry for the vessels and also to remove direct ownership from Tovrea Packing Company in case of explosion, as the hold of each vessel was full of gasoline fumes.

In the early summer of 1947 I accompanied Phil as far as New York, while he was on a return trip to Europe regarding the boats. We had appointments to see a number of ship brokers and prospective purchasers, amongst them the

ship broker from the Great Lakes area mentioned at the beginning of this chapter. One of the groups interested in purchase of some of the vessels was Chu Fung International Company with offices at No. 1 Wall Street. The concern was headed by Mr. Soong, who was a member of the Sun Yat-sen family, which family controlled the firm. Mr. Soong had been hospitalized the day before we were to interview him, and, consequently, we discussed the matter with several other Chinese, only one of whom purported to speak English, although I am sure from observation that all fully understood everything that was said in English. They were interested in purchasing about five of the vessels for river and China coast feeder service to larger vessels. They had an engineer in London at the time who went to France and actually inspected the vessels in which they were interested, but because of the availability of other similar vessels at a lower price nothing resulted.

Another likely prospect for purchase of a number of vessels was the representative of a Jewish group which contemplated their use to transport Jewish refugees through the Mediterranean to Israel for resettlement there. The British had imposed a blockade against the Jewish effort to settle these people in Israel, and it was thought that because the tankers sat low in the water, with most of the hold under water they could slip past the watchful British fleet with a full load of refugees on board. Funds for the Jewish movement were being raised largely in the United States, and we believed that the prospects for sale of some of the vessels to the Jewish group were quite good and that payment of the purchase price could be made in dollars. However, nothing actually developed from this source, and the prospective purchasers lost interest, possibly because the vessels were not speedy enough.

Other possible purchasers included the Argentine government, with a contemplated use on Argentine river waters, Norwegian and Greek ship owners and brokers, and a Russian who eventually contracted for one of the vessels and used it for a honeymoon with a new bride on the interior waters in France where he spent a number of no doubt pleasant months touring up and down the various canals and inland waterways.

None of the approaches which were explored in New York were successful. Eventually all of the vessels were sold and this ill-fated venture terminated at a substantial loss to the company which, however, was offset by income tax savings on subsequent capital gains.

In early 1947 Phil decided to sell the packing plant to Cudahy Packing Company and to change the principal nature of the company's business from meat packing to livestock feeding on a customs basis. It is difficult to say just what motivated him in making this decision. The deaths of Bainbridge and Blake, the unsatisfactory operating period during the war under government controls, the lack of interest in the packing plant operations on the part of his sons, Ed and Phil, Jr., and the possibility that Cudahy would start a competing plant in the Phoenix area, were certainly prime moving factors. In addition, the capital loss which the packing company had taken on the tankers could be offset against capital gains to be realized on sale of the packing plant to Cudahy, and this fact may have influenced him. At any rate, a special meeting of the stockholders was called and the sale to Cudahy Packing Company was authorized.



Tovrea Packing Co.

*From the Historical Collection
Compiled by
Herb and Dorothy McLaughlin*

The name of Tovrea Packing Company was then changed to Tovrea Land and Cattle Company, and Phil then concentrated on the livestock feeding and ranching businesses. This was very much to the liking of his two sons, Ed taking charge of the feeding operations, and Phil, Jr. being in charge of construction operations. The company built a new administration building, including restaurant facilities, and later, primarily as an adjunct to the feeding operations and as a means of financing cattle feeders, constructed and commenced operation of a banking facility under the name of The Farmers and Stockmens Bank, later sold to The Arizona Bank. The company also entered the chemical fertilizer business and constructed a plant which is now owned and operated by Olin Corporation.

The ranching operations were greatly extended, principally in New Mexico, where the company acquired and operated some five or six sizeable cattle ranches, including the 7XV Ranch, the 2C Ranch, the Beaverhead and the Ladder Ranch. In its custom feeding operations the company handled some



Feeding Pens

*From the Historical Collection
Compiled by
Herb and Dorothy McLaughlin*



Farmers & Stockmens Bank

*From the Historical Collection
Compiled by
Herb and Dorothy McLaughlin*

25,000 or 30,000 head of cattle at a time in its feed yards at Phoenix. Incidental to the livestock feeding operations, Phil soon recognized the value of a nearby source of supply of cottonseed cake. In order to provide this, he and some associates started and operated the Agricultural Products Company, which built a cottonseed oil mill near the packing company feed yards. From this mill the cottonseed meal was blown through a ventilation pipe to the feed mill owned by the Tovrea Land and Cattle Company where it was mixed with the various feeds supplied the cattle in the livestock feeding pens. At a later date Agricultural Products Company was sold to Producers Cotton Oil Company.

The Linsenmeyer family remained as the largest minority interest in Tovrea Land and Cattle Company. Phil's relationship with them deteriorated to the point where he determined to liquidate the company and to make distribution of the assets to the stockholders. Accordingly, a plan of liquidation was presented and approved by unanimous vote of the stockholders, including the members of the Linsenmeyer family, at a meet-



Stockyards and Administration Building *From the Historical Collection
Compiled by
Herb and Dorothy McLaughlin*

ing on February 14, 1958. In order that the company would not be subjected to tax on the capital gains which it expected to realize from the liquidation, the plan, in conformity with the federal income tax law, provided that all of the assets of the company should be liquidated and complete distribution made within a period of one year from the date of adoption of the plan.

Closing the customs feeding operations presented difficulties, as cattle were received daily to be on feed for periods up to six months, and a large organization and inventories of feed had to be maintained for operation of the feed pens. As no purchaser of the feeding operations as a going business could be found, an arrangement was made to lease the yards to T & C Cattle Company, in which concern Ed Tovrea held a fifty per cent interest, with the agreement on the part of T & C Cattle Company to purchase the inventory of feed, supplies and equipment in one sale, including company-owned cattle, and to feed out the custom cattle in the yards. The Linsenmeyers were quite suspicious of the entire transaction and commenced a suit against Tovrea Land and Cattle Com-

pany and the members of the board of directors to enjoin the making of the sales and lease to T & C Cattle Company. The relief sought by the original complaint in this action was denied, but the plaintiffs then amended their complaint to seek recovery from the defendants, primarily the members of the board of directors, of large sums of money under allegations that the directors had operated the company for their personal profit and benefit at the expense of the minority stockholders.

During the presentation of plaintiffs' case, which required several months, it became apparent that the trial judge was going to rule for the plaintiffs regardless of what evidence was submitted by the defendants. Consequently, at the close of plaintiffs' case, it was decided that the defendants would not put on any evidence of their own as it was felt that the plaintiffs had not only failed to allege a cause of action, but most certainly had not proven any. As anticipated, the trial court rendered its decision in favor of the plaintiffs and ordered the appointment of a master to take evidence on the question of damages. An appeal was taken from the trial court's ruling to the Supreme Court of the State of Arizona, where the decision of the trial court was reversed in its entirety.