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State mediating plan to rescue food firm

By ELIZABETH SCHILLING
and LANE WALLACE
STAFF WRITERS

A plan in which a new corporation would take over Watsonville Canning and Frozen Food Co. is being actively promoted, according to a state official who is acting as a mediator.

George Reese, chief of Marketing Enforcement in the state Department of Food and Agriculture, said he has been "working real close" with company officials, Wells Fargo Bank representatives and growers who are owed money. Reese

said the state's role as negotiator is offered as an "alternative to total disaster for all involved."

A new company named NorCal Freezers Inc. seems to be emerging as the entity that will assume control of the now-idle processing plant. NorCal Freezers Inc. went on record with the Secretary of State as a California corporation on Feb. 3. Records in Sacramento indicate no officers or statement of purpose have been filed for the new corporation, which has until May 4 to declare such information.

"NorCal is the name they've been giving me," said Reese. "It's not uncommon to see a new company arise as a way to deal with debt."

Reese would not reveal details of the specific plan. He said it represents a "very delicate situation" in its attempt to satisfy all debtors and growers who want to be paid for produce delivered to Watsonville Canning during the 17 months of a Teamsters strike against the company.

A complicated, unattributed theory put forth yesterday by the Santa Cruz Sentinel claimed

a growers' alliance headed by David Gil was forming NorCal and that the "reorganization plan was close to being consummated."

Reese warned against media conjecture about plans for Watsonville Canning:

"There are still so many variables with this that any newspaper article speculating on what is going on could not possibly be correct. In fact such articles could put doubt in the minds of key people and be very detrimental to the agreement which is trying to be worked out."

Gil, who is owed at least \$3.2 million by Watsonville Canning, also said a definitive statement of the situation was impossible at this time.

"There are too many intangibles to say what is going on," Gil said from his Gonzales home last night, indicating that the Sentinel's story contained inaccuracies. "We are working hard to put something together and will make an announcement when we have something settled."

Reese said he didn't think an announcement would come before Tuesday. Whatever res-

structuring of the company is being considered must shape up soon, however, as his department is considering whether to revoke the operating license of Watsonville Canning on grounds of insolvency.

Any new company, such as what NorCal may represent, would be closely scrutinized by the state's Marketing Enforcement division before a new operating license would be issued, Reese said.

"There are certain parameters that a new company will have to meet," said Reese. "A

settlement of the debt will have to be part of anything we agree to. We cannot issue a license to a new company if their liabilities exceed their assets."

A source close to the negotiations said company owner Mort Console has already signed away about \$7.5 million worth of inventory to reduce his debts.

Asked if there had been a transfer of inventory ownership, a spokesman for Hilltop Cold Storage said he couldn't comment "at this time."

At Pajaro Valley Cold Storage, Vido Deretich said, "We haven't received any written notice" to transfer Watsonville Canning inventory.

If a new company was agreed upon among debtors, several legal questions would immediately face it. Among them is if the new company would be bound to honor Watsonville Canning's previous contract with the Teamsters Union.

Any new ownership would have to recognize the Teamsters union if more than half of its employees worked under the old regime (either as union members or strikebreakers), said Dean Francis of the National Labor Relations Board this morning.

The whole issue "is badly complicated" by the challenging of ballots from the union-certification election at Watsonville Canning last summer, Francis noted.

Leon Ellis, president of Teamsters Local 912, said, "We don't know what will happen at this stage." But, he promises, "we're going to actively pursue what we feel is our interest."

"Our position is union representation, regardless of what name they have on the plant."

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