

Food-packer owners inherit big debt

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SANTA CRUZ — Assumption of more than \$19 million worth of bank debts is at the heart of a deal involving the transfer of virtually all of the assets of Watsonville Canning and Frozen Food Co. owner Edward T. Console to a group of growers who will try to re-open Console's shut-down, strikebound food processing plant.

Outlines of the deal between Console and NorCal Frozen Foods Inc., which is headed by King City grower David Gill, emerged Monday from a sheaf of documents filed with the county Recorder's Office by the bank and Console.

According to default notices filed by the bank last Friday, as of Feb. 9, Console was more than \$19 million behind in payments on over \$23 million in loans from Wells Fargo.

In the default notices, the bank announced its intention to foreclose on some 19 properties owned by Console and his mother, Kathryn. The properties were put up as collateral

in exchange for additional financing when Watsonville Canning ran out of cash and was forced to shut down for more than a week early last fall.

In another series of documents

filed by the Consoles Friday, all but four of those properties were deeded to NorCal Frozen Foods.

The properties transferred to NorCal are valued at more than \$10.7

million by the county assessor's office. Their actual market value is more likely twice that amount.

Two Console-controlled entities, California Freezing and Cold Storage and Struve-Console Farms, retained title to four parcels valued at \$156,858 by the county assessor.

The title transfers recorded last week appear to mean that NorCal and Gill have assumed responsibility for repayment of most of Console's debt to the bank.

According to a source close to Wells Fargo, the agreement between Console and NorCal was the green light the bank had been waiting for to commence foreclosure proceedings.

The source, who asked that his name not be used, said the bank "had

to wait for everything to be in place" before it announced its action.

Console had to sign over and cooperate with a foreclosure sale of company assets and real estate, said the source.

NorCal will have to bid for both, though company attorneys have said they expect their bid to be accepted.

"The key thing was to get the plant operating by someone," said the source. "Why would anyone buy it in July?" The processing season began last month.

Growers owed money by Watsonville Canning are to be paid out of proceeds from the sale of the defunct company's frozen-food inventory, according to a statement released by NorCal last week. The sales are to be handled by NorCal, in behalf of Watsonville Canning's grower creditors. As head of NorCal, one of Gill's first tasks will be to repay himself the more than \$5 million which he is owed by Watsonville Canning.

An unresolved question about the foreclosure and the NorCal takeover is what will happen to Watsonville Canning's numerous non-grower

creditors, whose claims against the company are neither secured by inventory nor protected under state law.

Bank spokesman Roger Cruzen Monday repeated what was said in the bank's statement Friday: that such creditors should contact Console's attorney, Michael Groom of San Jose, or bankruptcy lawyer Robert Izmirian of San Francisco.

Speaking of the unsecured creditors, Cruzen said, "The bank has no relationship with any of those people."

REFERENCE

APTOS BRANCH LIBRARY
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Aptos, California 95003

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