

Ford's declares bankruptcy

By GUY LASNIER
Sentinel business editor

WATSONVILLE — Time has run out for the 140-year-old Charles Ford Co.

It won't be long before the company is no longer California's longest continually operating department store.

Friday, Ford's filed for protection from creditors under Chapter 11 of the federal Bankruptcy Code. The brief petition filed just before 3 p.m. in San Jose lists \$30.7 million in liabilities, including \$20 million owed to Wells Fargo Bank on a Small Business Administration-guaranteed loan that allowed the Watsonville company to rebuild after the 1989 Loma Prieta earthquake.

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The move comes 51 weeks after Ford's gala reopening attracted national attention to the plucky company and its glistening, two-story 75,000-square-foot store containing Watsonville's first escalator.

The filing lists \$22.7 million in assets, according to San Francisco bankruptcy lawyer Garrett Cecchini, who prepared the petition. Assets include merchandise, fixtures and real estate. A more detailed petition in two weeks will list more than 1,000 creditors.

Cecchini said the SBA denied Ford's request for more money to restock its stores in a last-ditch attempt to stay in business. The company's board-appointed caretakers, Jack Kenney and Associates of Los Gatos, are still talking with the federal agency and the bank, Cecchini said Friday.

Ford's was asking for the \$4 million remaining on a \$24 million loan the SBA granted in 1990.

"The SBA told us no, but then they told us to submit more information, more projections," the lawyer said. "What that means, I don't know.

"I guess that means they are still thinking about it," he said.

Ford's will go out of business gently, said board member Bruce Richardson, a Watsonville lawyer. The other company director, George Menasco, the longtime chairman, declined to comment. "Mr. Kenney is the one running the show," he said. "I have nothing to do with it."

Menasco grew up with Ford's. He and his family are majority owners. His house on Rogers Street in Watsonville is pledged as collateral on the SBA loan along with company property in Santa Cruz, Watsonville, Gilroy, King City and Pacific Grove.

Longtime company secretary and senior vice president Hil Hyde has left the company and said he had no comment.

"You never know what the end result will be," said Richardson, holding out hope that maybe a "white

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— Bruce Richardson, Ford's board member

knight can come in and save us." He admitted, however, that possibility is not likely.

"Ford's is over as far as the existing entity," Richardson said. He termed the bankruptcy filing an opportunity to liquidate the company under the company's terms instead of those of a trustee.

"We think we can do it better by liquidating it gently, with an appropriate, real going-out-of-business sale," Richardson said.

Cecchini said the bankruptcy gives the company protection from predatory lawsuits by impatient creditors. The next step is to work out a plan with the bank and other secured creditors. "We will develop a plan of attack we can all agree on to avoid litigation," he said.

As Ford's falls, it brings down the curtain on more than 300 combined years of California retailing history. The company was founded in Watsonville in 1852, making it Santa Cruz County's oldest business.

In 1985, Ford's started to expand when it bought Holmans Department Store in Pacific Grove, then nearly 100 years old. Two years later, Fords bought San Luis Obispo-based Riley's stores as that company celebrated its centennial.

The once five-store Riley's chain is now down to its main store in San Luis Obispo. The others were closed in the past month to cut overhead.

The former Riley's owners are the next largest creditor after Wells Fargo Bank, Cecchini said. "They are owed several million dollars," he said.

Neither Cecchini nor Richardson knew the timeta-

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ble for Ford's closing the rest of its stores — the flagship in Watsonville at Main and Beach streets, Pacific Grove, Half Moon Bay and San Luis Obispo.

Cecchini said the company plans to remain open "until at least the end of the year if not longer." Some stores will be consolidated to reduce overhead, he said.

The consultants running the company, Jack Kenney and Earl Aiken, did not return numerous telephone calls this week.

Ford's Watsonville employees were told Friday afternoon that the company had filed for bankruptcy. They will be out of work when the company finally shuts down.

The news is another blow to Watsonville, suffering from high unemployment and shrinking retail sales in the aftermath of the quake and recession.

"It's a shame," said Carl Blanke, a commercial real

estate broker and chairman of the city's Economic Development Department. "I'm disappointed but not surprised," he said.

Richardson said the cumulative effect of the earthquake three years ago Saturday and the recession did the company in. "We thought we had the will and the resources," he said.

Decisions made after the earthquake destroyed Ford's stores in Santa Cruz, Watsonville and Hollister seemed to make sense at the time, he said.

Looking back, the view is different. "Would you open a store like this in downtown Watsonville? Sure, in hindsight, you just wouldn't try," he said.

The company realized it had to modernize after the earthquake if it were to survive. The board's first choice for chief executive did not take the job after a family tragedy. The second choice, former Nordstrom California executive Jim Vicars, joined in August 1991. He resigned a year later. Ford's is suing him over two checks he wrote himself two days after his resignation.

Vicars paid himself nearly \$125,000, leaving a memo saying the payments were for housing expenses and the costs of selling his house as guaranteed in his contract.

A hearing Friday on the case was postponed until late November.