

# Watsonville Canning under investigation by DA's office

By STEVE STROTH  
STAFF WRITER

Watsonville Canning and Frozen Food Co. is currently under investigation by the Santa Cruz County District Attorney's Office.

District Attorney Art Danner confirmed this morning that an investigation into possible criminal activity has begun, but refused to divulge the extent of the investigation.

"We're right in the middle of the thing and we don't want to say anything because it could jeopardize what we're doing," Danner said.

Danner said any assumptions that there has been any criminal activity by the company would be "very premature. It may be nothing. We're just asking questions.

"It would be unfair to Watsonville Canning to proceed with allegations when there's no basis for them," he said.

While he would not discuss details of the investigation, Danner did say his office is vigorously investigating a "really suspicious" fire that destroyed the Farmers Cold Storage building next to Watsonville Canning's Ford Street plant in October 1985. The fire came shortly after more than 1,000 union workers walked off their jobs in September, beginning a strike that is still going

on.

Fire officials determined the fire was deliberately set, but no charges have ever been filed.

Watsonville Canning made a \$7.5 million claim for fire damages with its insurance carrier. The company is currently embroiled in a legal battle over the claims because the insur-

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ance carrier, Insurance Company of North America, has balked at paying the bulk of the claims.

In papers filed with the Santa Cruz Superior Court Clerk, INA has leveled charges of fraud against Watsonville Canning, saying company officials inflated the value of property lost in the fire and overestimated the loss of sales for a new bean product that hadn't yet been marketed.

Watsonville Canning, in turn, has alleged INA failed to honor its insurance contract and has questioned INA's method of analyzing the market potential of the new bean product. Watsonville Canning says it is entitled to \$7 million in lost income.

INA investigators say Watsonville Canning based its claim for \$7 million on written orders for the new bean product from various customers.

But while INA asked for documented verification of all claimed losses, documents were "promised repeatedly and still were not sent," according

to court papers. Efforts to interview top management personnel about the new product were met with stiff opposition from Watsonville Canning, INA charged.

An INA attorney filed papers in Federal Court last year that claimed Watsonville Canning "concealed and or misrepresented material facts or circumstances concerning the insured (Watsonville Canning and its parent company, Conco Corp.) and the loss, and have attempted to defraud INA."

Conco based its claim on projected sales the first year of 26 million pounds. But INA said Conco's own marketing survey before the fire estimated no more than 8 million pounds would be sold during the third year. Conco at first insisted no

marketing study was ever done, but later conceded one had been made.

Conco produced 770,000 pounds of black-eyed peas in 1984 at 40 cents a pound, according to INA investigator Dorothy Pawloski. Conco's \$7 million claim is based on a 78 cents-a-pound price, she said.

"If Conco could not move a small volume at the low market prices," Pawloski said in a court document, "it could not move a substantial volume at much higher prices."

Danner said this morning his investigation of the company was prompted by newspaper stories.

"There have been some newspaper stories and accounts that have caught our attention, but we're not in a position to say that there's anything that will come of it," Danner said.

"Whether or not we proceed depends on whether or not we have any facts come to us," he said.

Mike Groom, San Jose attorney for Watsonville Canning, said he was surprised by news of the DA investigation.

"I had no idea this was going on," Groom said. "We have no other comment."

Watsonville Canning officials failed to return telephone calls to answer questions about the subject.



Kurt Ellison

Workers move furnishings from office of Conco on Penny Lane this morning. The parent company of

Watsonville Canning vacated the office and moved to the Ford Street plant. Story at bottom of page.