

Ford's files for bankruptcy

By BOB SMITH
STAFF WRITER

The Charles Ford Co. filed for bankruptcy yesterday afternoon in San Jose.

The company is seeking protection from its creditors under Chapter 11 of the federal bankruptcy code, meaning that it can continue to operate while attempting to reorganize the business and find new capital.

Company officials had been ne-

gotiating with the federal Small Business Administration and Wells Fargo Bank for a \$1.4 million bridge loan that would have allowed them to restock their stores with new merchandise.

Those negotiations collapsed this week, Rep. Leon Panetta, who was helping with the negotiations, indicated yesterday.

The bankruptcy petition lists the company's assets at \$100,000-plus, and its liabilities at the same level.

General Manager Jack Kenney and other company officials were not available for comment yesterday afternoon. The bankruptcy petition was filed by a San Francisco law firm in San Jose at about 3 p.m., sources told the Register-Pajaronian.

Employees at the three remaining Ford's stores and one Riley's Department Store in San Luis Obispo — also owned by Ford's — were informed of the bankruptcy

in a memo from Kenney.

Kenney said the company's SBA loan request had been turned down earlier in the week, but the company sent new information to the SBA Thursday "in the hope that it would modify the SBA's position.

"Though we have not received a reply, we think the likelihood of change is very small," Kenney said. "Therefore, we must take very significant actions. As you

may already know, we had to make a significant reduction in force on Thursday. Today (Friday) we will be filing in court a Petition of Bankruptcy. It makes us very sad that such action is required. Our hope had been that the remaining core elements of the company could be saved and a new chapter begun."

"This, of course, leaves many questions in your minds," Kenney added. "How long will the stores

remain open? How long will I have a job? And many more. We have a plan that must be approved by our secured creditors and the bankruptcy court. So a complete answer is not possible at this time. We hope to have more information to share with you during the course of the next week."

Ford's downtown Watsonville store was rendered unusable by

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the Oct. 17, 1989, earthquake and subsequently demolished.

The store reopened a year ago under a new management team after being rebuilt with the aid of a \$24.2 million loan from the Small Business Administration — one of the largest loans ever made by the federal agency.

But the store was different from the old Ford's, with a new, high-end line of merchandise that failed to attract enough customers.

The recession didn't help the company's fortunes either and store after store was closed until the chain now has four stores: Watsonville, Monterey, Half Moon Bay and the Riley's Department Store in San Luis Obispo.

Ford's turned to Panetta, who was instrumental in getting the original SBA loan, for help in getting further financing.

The powerful Monterey Bay Area congressman said yesterday afternoon that the negotiations collapsed when Ford's, the SBA and Wells Fargo Bank couldn't agree on a way to use the new merchandise as security for the loan without jeopardizing the security for the remainder of the loans.

"Obviously," said Panetta, "we had been pushing very hard for the last three to four weeks, trying to get the SBA to see if they get the bridge loan together. The bottom line is that they (Ford's) could not get the equity to cover them on the bridge loan."

When the negotiations ended, Panetta said, "they were trying to see if the (new) inventory could be isolated to protect the investment of the SBA and other creditors."

Panetta said the Chapter 11 filing means the company could still find some new capital and eventually emerge from bankruptcy.

Meanwhile, tenants of Ford's Watsonville store assured their customers that the store would remain open and their businesses would go on. One tenant, Charlene Shaffer, who operates Travel With Charlie, a travel agency, said there would be "no interruption of business" in her operation.

Ford's status at a glance

Loan negotiations collapse

One of state's oldest chains

Store another quake victim

Watsonville store still open

Customers become creditors

The bankruptcy filing by Ford's Department Store may have many effects on the community.

One impact will be felt almost immediately by some of its customers. The stores, under federal bankruptcy rules, will no longer redeem gift certificates, merchandise credit slips, returns or script.

Customers holding the credit slips become, in effect, one of the company's creditors and it will be up to the federal bankruptcy court to decide how much if any money they will eventually receive.

Employees are being told to get the customer's name and address with a promise to provide information as soon as possible on the court case number and how they can file a claim.

The customer will then have to file a claim with the federal bankruptcy court in San Jose.

— Bob Smith

