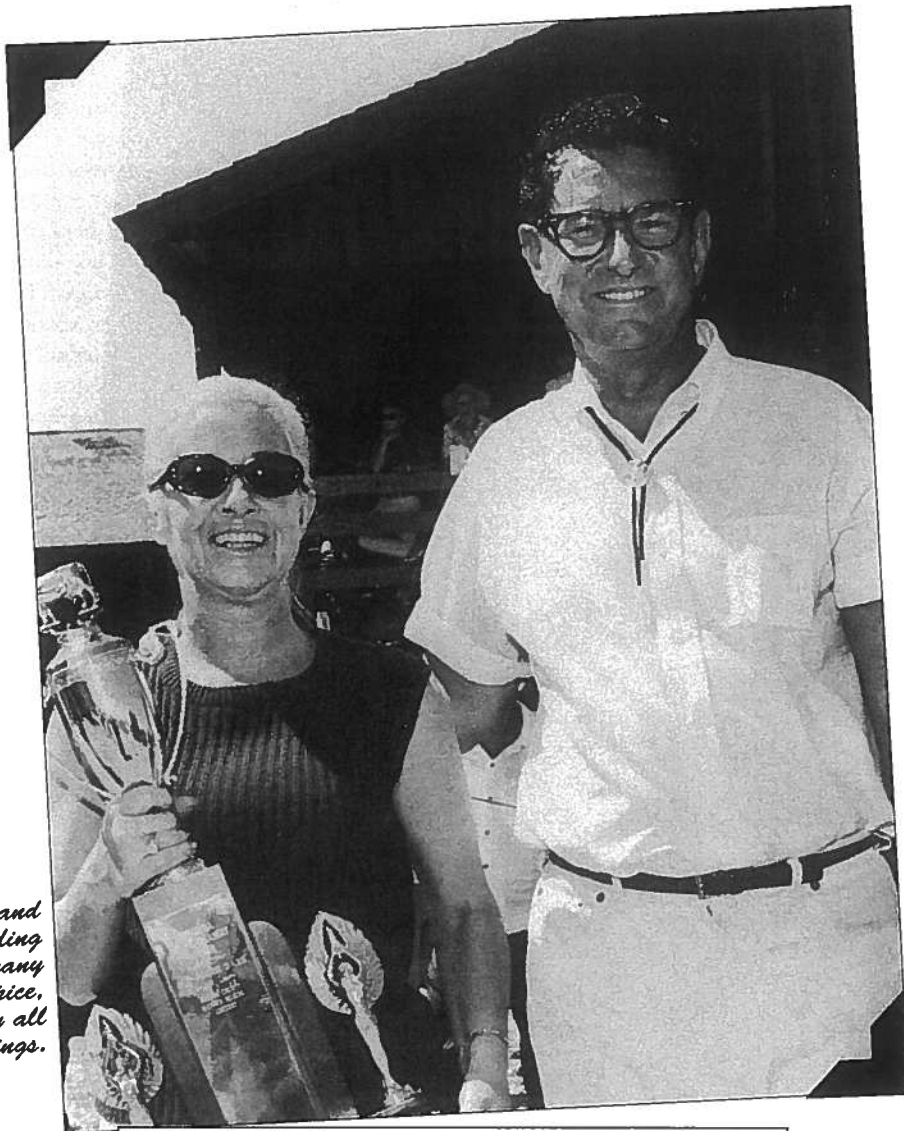


HUGH

THE BIOGRAPHY OF HUGH CODDING

BY JAMES DUNN

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Hugh and Nell Codding brought their company back from the precipice, selling nearly all their holdings.

C O D D I N G C A R E E N S I N T O C O M E B A C K

"The year of the crash was 1956," Codding says. It was the worst of times for Codding, but it didn't last long. When he went broke in 1956, Codding had to lay off everyone in the company except himself, Nell, one secretary and Charles Magowan, the former controller, who refused to go and continued working without compensation until the company recovered.

Codding wanted to flee. "I said, 'Let's get in my plane and go to Mexico,'" he recalls. But his new wife Nell insisted that he face his business problems.

At the time, Codding was building the Flamingo Hotel under the name Garden Hotels, Inc., according to Jules Faoro, the company's construction foreman. Codding's partner was Theron

Hedgepeth, an investor and owner of a tool company in Chicago. "They sent us home at noon," Faoro recalls of the lay-off. "There was no more payroll." Codding turned over his interests in the project to his partner; they had taken out a \$500,000 construction loan.

"We could not meet our obligations," Hugh says. He consulted an attorney and sent letters to 200 creditors, asking them to attend a meeting at Montgomery Village.

Codding sold Empire Wood Products, a sawmill and remanufacturing plant on Sebastopol Avenue—now the Roseland Shopping Center. Also among Codding's properties were three savings and loans: Montgomery Village Savings & Loan, in which he held 51 percent of the stock; Mendo-Lake S&L in Ukiah and Six Rivers S&L in Eureka. "When I went broke, I sold all my shares" in the savings and loans, Codding says. Henry Trione bought the controlling shares in Montgomery Village S&L for about \$91,000, Codding recalls, later changing its name to Summit Savings. Trione also bought Codding Mortgage Co. The savings and loans in Ukiah and Eureka were sold to local directors to raise cash.

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Codding liquidated other assets. He sold for \$103,000 an office building on Montgomery Drive that had a \$55,000 loan against it. For \$50,000 he sold a 25 percent interest in a Modesto shopping center called McHenry Village. He sold a small plane he had only owned for a month, along with 40 cars and trucks.

Lee Evans, who had been in the lumber industry in Oregon, bought half interest in Codding Enterprises, providing capital for a comeback. For years, Evans was the second-largest shareholder of the company, Hugh says. Evans also was half owner of the Mayette Village center and bought the Bank of Covelo for \$40,000, which Codding had renamed Frontier Bank. Evans resold the bank a week after the purchase, earning a quick \$10,000 profit.

"I even sold Montgomery Village," Codding says. The center had a loan against it of \$500,000 from Connecticut Mutual Life Insurance Company. "I could not make the payment," he says. "I called and said we were having problems." The company agreed to forgo principal payments for one year because it valued Codding's business.

But he decided to sell the center anyway for \$400,000—100 percent of his equity. The sale never was finalized because the buyer went one day past the end of the escrow period. "The guy defaulted, luckily," says Codding. "His attorney took so much time checking leases. He criticized our leases for being too liberal. I dropped the deal. Thank God." The shopping center, the only major asset he kept, turned out to be one of his most profitable holdings, now bringing in nearly \$1 million a year.

Nell and Hugh never filed bankruptcy. Instead they called together their creditors, including Mead Clark Lumber and Exchange Bank, and mapped out a plan to sell off poorly performing assets and pay everyone off.

"We had \$12 million in assets," Hugh says, "and \$10 million in liabilities, with \$400,000 of it overdue." They put all the stock and assets in a trust, and asked creditors to be patient. "Nine months later I was on an African safari, and we had everyone taken care of. We laid off all 55 employees," 40 of whom were in

the office on Montgomery Drive, which controlled the insurance and real estate businesses, plus the savings and loans and the bank.

Codding learned to be more conservative after dissolving his business world. "I did not realize how quickly the economy could change," he says. "Things did not look so rosy."

He also learned to control his company better. "We were a lot more careful to have the proper people in the right places. I had left the financial reins to someone else. It was my fault." He had expanded too rapidly, and the overhead was too much. "We were spread too thin," he says. When they started slowly rebuilding, only Nell and Hugh made key decisions.

But even following his financial meltdown, Codding "got on a big high," as he puts it, making deals in a kind of mad scramble to regain his footing. "After we recovered from the shock of going broke, I went on this big ego trip again. I got real rambunctious. I got on a big kick and went overboard," he recalls. He started a concrete business and a highway construction business, neither of which flourished. "I could see right away I was heading to go broke again," he says. "That deflated me again."

In about 1957, Codding says, he started another company called Fubar, Inc., which made concrete for Codding's construction projects. The name "Fubar" was an acronym formed in jest, and stood for "Fu—d Up Beyond All Recognition." The corporation, initially located on Montgomery Drive, still exists today and is owned by Codding's son David.

Fubar was run by Don "Two Sack" Canevari, who earned his nickname among Codding co-workers because of his inclination to skimp on the cement that binds concrete together. Normally six sacks of cement are used per cubic yard of concrete. Cement, which is mixed with sand and gravel, is the most expensive component of concrete.

Codding also bought a plant that produced the hot asphalt used in making roadways. "Two days after I bought it, the boilers blew up, and I got the hell out



Nell Codding, who became the financial backbone of Codding Enterprises, loved to dance.

of the business," he says. "It scared me. I had no business getting into engineering."

About 1958 Codding bought three used D-8 Caterpillar bulldozers through a buddy he had met in the Seabees. Hugh had to search for ways to put them to use.

He took on a highway project, subcontracting for \$100,000 through Art Siri to clear a 5.5-mile strip of land for a highway bypass around the city of Eureka. Siri had a contract worth about \$5 million to build the bypass. The deal with Hugh came about after the two men had had a couple of drinks. Codding agreed to take the job without even going to the job site to assess the magnitude of the work. Siri took Codding for a ride on the deal, subcontracting the job for half its true value. "We bid \$100,000," Hugh recalls. "It cost me \$200,000. He made \$100,000 on me. Art called me when I was on a high, making this big comeback."

Siri, who is no longer alive, delighted in getting the better of Codding. "He would tell the story about how he screwed me," Codding says. "He would laugh so hard that he cried." Codding retold the story himself at Siri's funeral.

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The job was jinxed from the start. The ground was covered with huge redwood stumps, some of them a dozen feet in diameter. The only way Codding could find to remove them was with dynamite—an expensive task that forced him to hire explosives experts.

Workers would put choker cables around the smaller stumps and yank them out using one of the bulldozers. During one of these operations, the worst accident that has ever happened in Codding's companies took place. A man got between the cable and a tree stump and nearly severed both legs. "It's the worst compensation case we have had in my 55-year history," Codding says.

Other workers started a forest fire during their attempts to clear brush, and Codding had to hire 200 people to extinguish the blaze.

The bulldozers seemed destined for disaster. One of them had its engine burn up. Another sank in a swamp and was never recovered. Codding sold the last one to an equipment company in Eureka. "The lesson I learned was that I was not cut out for heavy equipment," Codding says of the job, which took about 90 days. "And you don't have a couple of martinis and take a job without looking at it."

Nell worked mostly behind the scenes at Codding's company, according to Jules Faoro, taking care of financial details. "Hugh was too easy-going," Faoro observes. "He would do something on a handshake. He would take money out of his own pocket, with no accounting. He would never remember it the next day. But Nell was all business. Hugh let her run the company, and he would stay away." Faoro retired in 1967 after building the J.C. Penney store in Coddington.

"Nell was a marvelous business person," especially in the financial details of running the company, says Grace Cummings, Hugh's older sister. Bright and tough, Nell became the ideal business partner for Hugh: he scouted for new business ventures and handled negotiations; she advised him behind the scenes and managed the money. "Hugh could sell anything," Cummings says. "Nell would flange up the deal."

After Codding's financial crunch, Nell

became the controller and took over payment of bills. "She was all business and tremendously efficient," Codding says. "She would sit with a calculator and check every bill." She found overcharges—\$18,000 from a service station and \$16,000 from a plumbing company. "I should have been suspicious," Codding says.

Nell and Hugh became an extraordinary business team. "I'm the salesman. That's my bag, to create the situation," Hugh says, "to take raw ground and try to make it productive," drawing regularly on a \$50,000 line of credit with Exchange Bank. "I was always up to my limit."

Nell deferred to Hugh on key business matters, he claims. They didn't always agree, and she challenged him. "I fired her one time," he says. "This was when we were first married. I could not have gotten away with it later. She stayed home seven months. I went and begged her to come back to work."

Nell's willingness to stand up to Hugh extended beyond business. During one hunting trip in Africa, Hugh says, he shot an elephant four times, but the animal kept moving. He had no time to reload, so he bellowed for Nell to use her gun to shoot the elephant again. Nell hesitated. Hugh grew impatient. "Goddam it, shoot!" he yelled. Finally he grabbed her gun and shot the elephant himself.

On another African excursion, Nell was participating in a hunt for guinea fowl. Hugh screamed at her to point her shotgun at a bird and shoot. "She got so excited that she pulled the trigger and the shot went at my feet," kicking up dirt next to him. Nell later claimed that she used the shot to shut Hugh up. Hugh learned a lesson. "You don't tell Nell what to do," he says simply.

As he recovered from his business troubles, Codding began building houses on land he still held near Santa Rosa. He stayed in residential construction until about 1959 when he decided to concentrate on commercial development. "There was more demand for commercial," he says. "We were the only ones with expertise in shopping centers," with experience constructing Town & Country, Montgomery Village, Mayette Village, Roseland Village and McHenry Village in

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Modesto.

He and Nell launched Coddington in 1960 on about 60 acres they bought for \$7,500 an acre, and sold the Guerneville Road right of way to the county. At the time, they held a large amount of land from Edwards Avenue to Hopper Avenue, and west to Marlow Road. They developed office buildings on County Center Drive. Codding obtained \$20 million from Connecticut Mutual Life Insurance Co. to finance the shopping center. Coddington opened with a Lucky store, a Thrifty drug store and a Chevron station.

The revolving Coddington sign, for which Codding recently obtained historic preservation status, sat in a walnut orchard for two years before the center opened. "The sign was my idea," he says. "I liked to see my name up there."

In 1960 the Coddings went public with Codding Enterprises, selling shares of the company and retaining 48 percent of the stock

Corrections: Chapter IV described the annexation of Montgomery Village into Santa Rosa, incorrectly stating the population of the enlarged city.

Montgomery Village added about 12,000 people to the city, pushing Santa Rosa's population to more than 30,000.

The last name of Ben Cummings, Hugh's brother-in-law, was misspelled.

Next: Don't miss Chapter VI of the Codding biography, where Hugh and Nell develop their shopping center empire, and Hugh jumps into politics. Also: a glimpse of Hugh the airplane pilot.