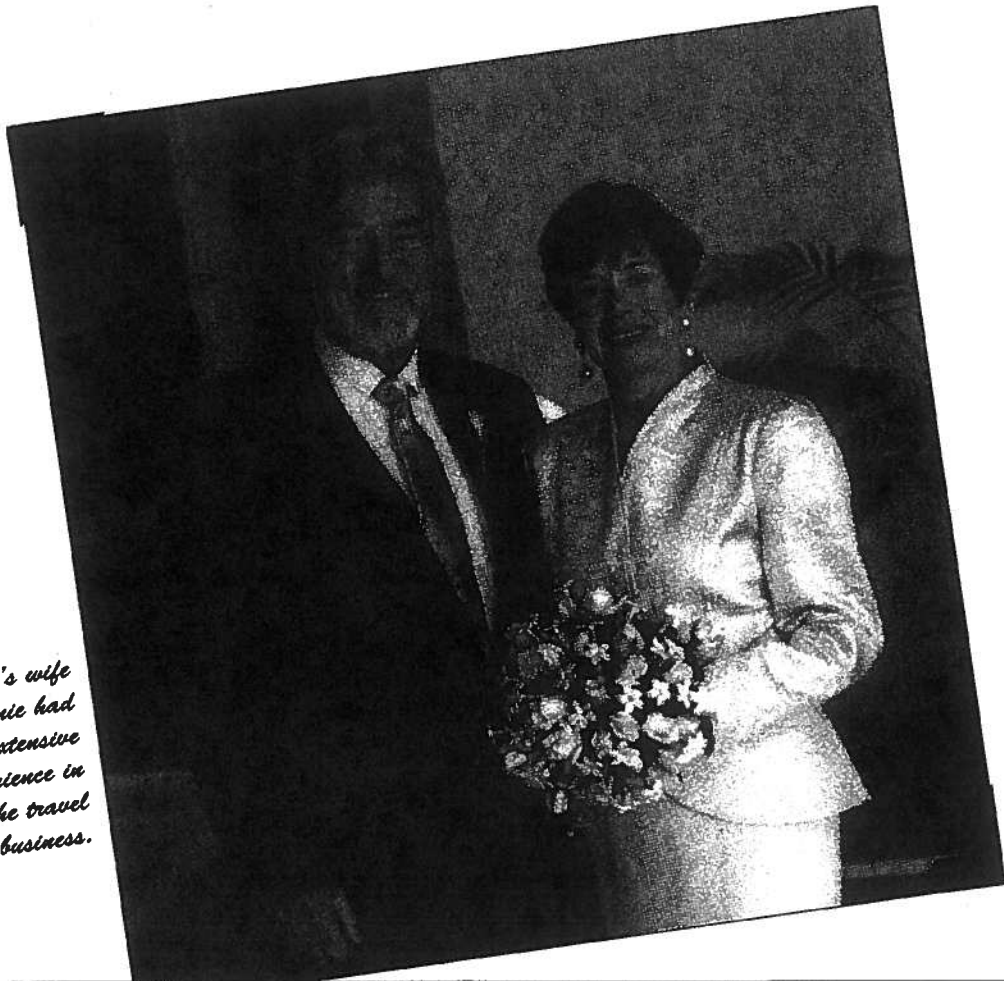


*Hugh's wife
Connie had
extensive
experience in
the travel
business.*



HUGH

THE BIOGRAPHY OF HUGH CODDING

BY JAMES DUNN

"I still keep tight control over every department, even today," Coddling says, at age 77. "I'm a benevolent dictator. That's the most successful way to run anything." Almost every day at lunch, heads of departments meet with Coddling to go over business matters. "They don't challenge me because I will fire them," he says, chuckling. "They never know when I'm kidding or not."

Coddling also allows certain managers considerable free reign, especially Reginald Bayley, who replaced Nell in managing the company's financial realm, and Sam Gordon, who heads up Coddling's construction business. "I have a god-given ability to recognize talent and loyalty and efficiency," Coddling says. "I attract those people and keep them. I make the company a lucrative and a pleasant place to live."

About a year after Nell died, Coddling married Connie Williams, who had been married previously to the owner of Empire Plumbing, a partner of Coddling's on a piece of property in Coddington. Connie, now age 60, has five children from her first marriage—three girls and two boys. Connie had been divorced for about five years before Hugh married her, he says.

For nearly 10 years, Connie and a business partner, Margaret Wright, owned and operated a travel agency called Travel Time, with a branch in Coddington, he says. "The business made a few dollars," Coddling says. "It was not greatly profitable. That was her first business experience. She was an excellent travel agent." The business is now called Carlson Travel Network, owned by Ed Burr.

Connie now controls the Coddling Foundation, which makes grants to nonprofit agencies in Sonoma County. She is

PRANKSTER STILL REIGNS

also active in Democratic politics, a party Hugh doesn't support. He registers as a Republican, though he voted for Ross Perot in the last presidential election.

Coddling for having a tile like that," Coddling recalls. Then she looked closer at the man on the floor. "She got red in the face and walked away," Coddling says.

Still hankering to try his hand at the financial services industry, Coddling launched Coddling Bank in 1990 in a brand new building off Highway 101 in Rohnert Park, just as the national recession began to hit Sonoma County. Despite the difficult business environment, Coddling Bank expanded with branches in Coddington and Montgomery Village. When the bank had a \$200,000 bad loan in 1993, Coddling purchased the loan himself, taking it off the bank's books. "I told my wife she had to cut \$200,000 out of household expenses," Coddling joked. "If that goddam bank doesn't make money, my name will be s—. A lot of people bought stock in that bank because they have confidence in me."

In 1993, Coddling bought stock in the bank himself when shares were selling for about \$8 apiece, giving some of it to relatives. He says banking regulations limited his holdings to no more than 20 percent.

With nearly 500 business accounts developed, Coddling Bank was sold to National Bank of the Redwoods in 1994, yielding nearly 800 stockholders a modest capital gain of about \$2 a share—



Coddling says investors bought stock in his bank because they had confidence in him.

HUGH

an annual return of about 5 percent. Codding says there were about 550,000 shares outstanding. The name Codding Bank will disappear with the purchase, and the branches will be renamed as branches of National Bank of the Redwoods.

"I always wanted to have a bank," Codding says of the start-up. "Codding Bank was a little out of our realm. Codding Bank was ego. I would not do it again now. We started at the tail end of prosperity. It's like a kid sticking his finger in a hot stove. You get burned one way or another."

Rohnert Park developments have dominated Codding's attention in recent years as he brought major discounters into the center now anchored by Kmart, Target, Sears and Food 4 Less. Although Codding still has about 50 acres of bare land to develop in Rohnert Park, further commercial building opportunities in the area are limited, he says. "I think it's

done," he says. "I don't think the market here will stand any more."

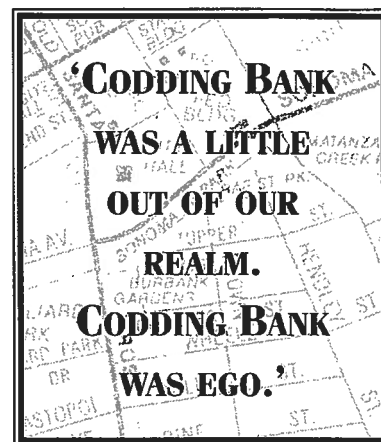
He has brought nine new restaurants to the area; Jimmie Rogers, another active commercial developer with properties to the north of Codding's major holdings in Rohnert Park, has brought in about six restaurants, for a total of nearly 15. Codding plans to develop an apartment building nearby.

Discount retailers have landed in Sonoma County in large numbers in recent years, and Codding predicts a slowing of that trend. "More of them have gone belly up" nationwide, he says. "I think it's overdone in Rohnert Park and in Santa Rosa. We are saturated."

One of the most powerful developers in Sonoma County in the past several decades, Codding has amassed a large fortune despite major setbacks: near insolvency in 1955 and a \$24 million lawsuit settlement against his company in 1983.

Codding says the value of all his assets combined totals about \$210 million. The company has about \$90 million in debt, leaving a net worth of about \$120 million.

The total payroll of Codding Enterprises in 1993 was just over \$4 million, plus \$975,000 in benefits, with 107 full-



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time employees. Codding Enterprises, a California limited partnership, includes most of Codding's business assets with the exception of Montgomery Village shopping center.

Montgomery Village is the most profitable of Codding's properties, throwing off nearly \$1 million in income a year, according to Codding. The shopping center is worth about \$22 million, he estimates.

The fair market value of Coddingtown is about \$75 million, according to Codding. Coddingtown generated net cash flow of about \$2.4 million in 1992, he says, on total rental income of \$7.9 million. Coddingtown is wholly owned by the Codding Enterprises partnership.

In addition to their regular salaries, 72 Codding Enterprises employees in 1993 received more than \$1 million worth of interest in the partnership. Codding plans to continue making such gifts. "I am giving a good part of the company to employees," he says.

The company has about 75 partners. Codding, as the general partner, owns about 83 percent of Codding Enterprises through the Nellie W. Codding 1991

Trust (52.63 percent), the Codding Family Trust (22.88 percent) and Codding Investments, Inc. (7.44 percent).

Reginald Bayley is the limited partner with the largest holdings—about 3.1 percent at the end of 1993. The cost basis of this portion of the company was \$837,000, but Codding says the share is worth about \$2.5 million. Bayley, whose shares are held in the Bayley Family Trust, serves as the Codding Enterprises financial director. He also worked as interim president of Codding Bank after the previous president, Marty Sorensen, resigned in the spring of 1994.

Other partners with holdings greater than 2 percent include LeRoy and Donna Halbur, who own 2.76 percent, and Samuel and Catherine Gordon, who own 2.47 percent.

Codding's generosity creates strong loyalty in his employees. Codding says almost no one has left the company in six years.

A Codding Enterprises consolidated balance sheet for calendar year 1993, calculated on a current value basis after appraisals by Howell/Wolf Appraisal Services in Santa Rosa, shows properties valued at \$179.4 million, including about \$9.7 million worth of undeveloped land. Cash and cash equivalents totalled nearly \$3 million, and receivables were \$3.6 million. Along with other assets of about \$1 million, total assets were \$188.3 million. The company was audited by Pisenti & Brinker CPAs, and the balance sheet was completed in February 1994.

Codding Enterprises owns 50 percent of the Merced Mall, 60 percent of a Sizzler restaurant joint venture in Rohnert Park, 85 percent of Expressway Properties in Rohnert Park, 100 percent of Codding Maintenance and 100 percent of Codding Construction Co.

Liabilities of Codding Enterprises included notes and improvement bonds payable amounting to about \$68 million. Accounts payable and accrued expenses were \$2.3 million, and minority interests totalled \$15.5 million. The partners' equity on a current value basis is \$102.5 million.

The 1993 consolidated income statement for Codding Enterprises, excluding



Baby Hugh developed a talent for making money.

construction operations and property sales, showed gross rental income of \$19 million, less costs and expenses of \$5.4 million, for net rental income of \$13.6 million. Interest and financing costs amounted to \$6.2 million for the year, depreciation was \$2.6 million, and general and administrative costs were \$1.4 million, for total costs and expenses of \$10.2 million. Net income was \$3.7 million.

Codding Enterprises has a \$6.5 million line of unsecured credit with Exchange Bank, Codding says. Bank of America in San Francisco has loaned Codding up to \$20 million at a time, he says. "We have always had a large debt," he says. "We are trying to get more equity-heavy all the time."

Codding's career, spanning nearly six decades of development in Sonoma County, has made a more visible impact on the business community than that of nearly any other businessperson. "I never have really known where I was going," Codding says. "I'm an opportunist."


In another interview, however, Codding contradicts himself, saying: "I am the most focused person. I go in a straight line."

Much of his success, without a doubt, was due to impeccable timing, building hundreds of houses after World War II

when demand soared, then entering the shopping mall development market as it began to flourish. Despite years of relative prosperity, he reckoned with market risk. "Forty-three years ago, I stood on Farmers Lane in Santa Rosa and wondered whether a new grocery store could survive," Codding recalls. "We never knew. That's the chance you take."

He still frequently displays his rollicking sense of humor. On the phone one day with a buddy, Codding jokes about continuing to work at age 77: "I'm the sole supporter of my mother and father," he says. "I have to keep working."

He genuinely enjoys contact with people in the office at Codding Enterprises and with business acquaintances. An inveterate prankster, Hugh regularly kindles humor. The license plate bracket on his Cadillac, a gift from his secretary, reads: "Caution, Adult Adolescent." □



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