

Creamery hopes plant tour will quell quality control rumors

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Concerns raised by creamery leadership over management and quality control issues at the Fernbridge plant have prompted current management to invite the 40 dairy producers to tour the plant themselves on Friday morning. The tour may be the first invitation for producers in ten years, said acting CEO Len Mayer. (Creamery board member Dennis Leonard, however, said tours have been offered in the past.)

Mayer said he has also offered to give a quality assurance presentation to the creamery's board of directors "to bring them up to speed on quality assurance process, qualifications, third party inspections,

audit results, etc., to provide them with facts so that they can reassure themselves and others and dispel rumors," Mayer explained in an email to *The Enterprise*. "So far they have not accepted this offer but I am hopeful they will soon."

Leonard said he was not aware of the offer and noted that offering a "staged tour" of the plant "is not how you guarantee quality or efficiency or any other kinds of issues going on."

Mayer said that, so far, all potential buyers "have been happy and impressed with the plant and the way it is run.

"We hired an outside consultant a month or so ago who is an ex-California Dairy industry CEO who toured the facilities, interviewed employees, inspected records, etc., and reported that the plant is well maintained, clean and

seems to be well run."

Mayer said some board members have asked him to fire several specific employees "based on rumors at the plant and based on their past association" with former CEO Rich Ghilarducci.

"At this point, I have responded by researching specific allegations about certain employees and also have received a basic download from the attorneys and accountants who did the forensic audit," he wrote. "Specifically, I wanted to know if any current employees seemed guilty of fraud or misbehavior. The response I received was that all the evidence points to one individual who acted improperly."

Mayer continued, stating that he has not received any requests from the FBI, Securities Exchange Commission or US Justice Department "so far about

anything specific to any employee except Ghilarducci."

Based on that, Mayer said he told the board that he plans on keeping the current staff "to work diligently to get us through the sale process."

Mayer said he also talked to the board about concerns from employees that if the producers were successful in buying the plant back, they were going to replace all senior managers.

"I was told that all current employees would be given a fair chance at retaining their jobs and that the decisions would be based on performance if the farmers repurchased the creamery," he wrote.

Leonardi said he would not comment on any specific employee related allegations but confirmed that "all employees would be evaluated on their merits

and employment history."

Mayer reiterated the large number of "seriously interested buyer who have all placed the value of the company in the tens of millions of dollars in spite of the fact that the world economy is tanking and dairy in particular is in very tough shape.

"We report to the bank and the creditors committee every week and every week they have been willing to allow us to keep using their collateral and keep running our business," he said. "The banks have not called their collateral and the US trustee has not appointed an outside trustee to administer the estate. The sale process if approaching what could and should be a very reasonable solution."

Leonardi, however, said that alleged "fraud of this magnitude makes normal business practices out of the

question.

"Normal scrutiny is not adequate," Leonard told *The Enterprise*. "Normal observation is not adequate. An individual third party for everyone's sake is necessary and required, even if you're doing everything right."

Mayer said he "understands" the anger and frustration by "stakeholders."

"I know they are angry and suspicious of individuals who didn't pack up and move to Scottsdale," he said. "I disagree with that and feel it's unfair, but I understand it... bankruptcy is definitely a contact sport based on what I am learning."

Mayer said the current schedule for the selling of the creamery calls for firm bids due on June 15; the stalking horse bidder will be chosen by June 22 and an auction is set for August 10.