

Reorganization picks up steam; motion filed to sell creamery “free and clear”

Top management guaranteed six months severance pay if Foster Farms closes deal at auction

Copyright Ferndale Enterprise; originally published 7/16/09

Citing Humboldt Creamery’s “poor cash position and financial obligations,” attorneys for the creamery have filed a motion with the US Bankruptcy Court asking it to approve the sale of the creamery on August 12 “free and clear.”

It is anticipated, according to an *Enterprise* source with the unsecured creditors committee that an objection to the motion will be filed with the court, attempting to slow

the sale process down in hopes of acquiring more possible buyers for the business at a higher price.

The creamery is expected to be auctioned off in San Francisco on August 11. Anybody who wants to outbid Foster Farms Dairy with a bid of about \$21 million must submit an offer by 5 pm on July 31.

In its motion, attorneys for the creamery tell the court that since filing for reorganization under the bankruptcy law it has reduced ex-

penses, increased efficiency and “enhanced its overall financial health.”

However, the motion states that the sale must happen soon because the \$3 million “debtor-in-possession” loan only provides “limited funding” to keep the creamery going and that it “is difficult, if not impossible, for the company to expand its sales, operations and working capital, and this is an impediment to growth and building long-term stability.”

Acting CEO

Len Mayer, however, said “it’s not that the business will completely fall apart if we don’t close this sale by August 25,” but rather that “it’s better to get through this as fast and as reasonably as we can” because the uncertainty is “tough on everyone - customers, producers, employees.”

Meanwhile, included in the motion is the sales agreement with Foster Farms, the stalking horse bidder, for \$20.5 million. Of that total, \$4 million is for the Fernbridge prop-

erty; approximately \$1.9 million is for personal property at Fernbridge; the Stockton plant is valued at \$1.45 million with personal property at \$65,000; an organic milk supply agreement is worth \$3 million and the rest of the offer is for working capital.

The agreement also calls for six months of work or pay if Foster Farms becomes the new owner for five management employees: Acting CEO Len Mayer, Administrative Assistant Terri Fisher, Sales Manager Jeff Suss-

man, Operations Manager Mike Callihan and Quality Control Manager Nate Ramaswamy. Human Resources employee Renae Will will receive a three month severance package as will Information Technology Manager Walt Chalton.

Mayer said the severance packages are important so that employees who can see the handwriting on the wall will “stay here and keep working hard to retain the company’s value.”