



TEAMSTERS

Dean Foods Bankruptcy Update

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Since the last update on January 16, there haven't been any major developments or announcements. The Teamsters Dairy Conference has submitted a comprehensive information request to Dean in an effort to better understand how Dean plans to move forward in the bankruptcy process. To get access to that information, the Dairy Conference did need to sign a confidentiality agreement so we won't be able to disclose non-public information but will use that information to guide our next steps. The Conference and Teamster experts will keep our Local Unions and members informed along the way. As of the publication of this Update, we have not yet received an answer to the information request.

When Dean filed bankruptcy, one of the possible outcomes was a sale to Dairy Farmers of America "DFA." We have not heard of further developments in that regard but did want to make sure you saw an article in the Wall Street Journal titled "Regulators Probe Potential Dean Foods Merger" (read here: <https://www.wsj.com/articles/regulators-probe-potential-dean-foods-merger-11580147236>).

In terms of next steps, one frame of reference is the "milestone" dates listed in the financing documents Dean agreed to with the Lenders that provided the financing to file and operate in bankruptcy. That document indicates that "on or before, February 10, 2020, the Debtors shall have delivered to the Administrative Agent an election of whether it intends to pursue a Sale Process, a Plan Process or both."

So according to its own internal process, Dean should be notifying the Court of its intentions no later than Monday, February 10. It is possible Dean will negotiate with its lenders an extension to the February 10 deadline. The next hearing before the Court is scheduled for Wednesday, February 19, to review any outstanding motions or issues.

One of the issues before the Court is a motion Dean filed to pay bonuses to its non-union employees. It wants to pay retention bonuses to 245 employees a total of \$7.1 million. Dean is also asking to pay another 2,191 employees a "short term incentive plan" (STIP) bonus, with those bonuses totaling around \$30.6 million. Both plans are for "non-insiders" which means that it excludes "senior executives" and directors, although at this point we don't know exactly who is getting money. One of Dean's justifications for the bonuses is that they are experiencing voluntary turnover rate at 45.5% for vice presidents and above in 2019 – much higher than in previous years and 15.5% for the total workforce, which is about the same as last year.

The Court will consider the motion on the 19th of February. We historically have opposed such bonus motions in other cases and will do so in this case as well. Unfortunately, bankruptcy courts overwhelmingly defer to Debtors claims on needing bonus plans to retain employees and often approve plans like this.

For More Information or Questions, Please Reach Out to Your Local Union and/or visit teamster.org/deanbankruptcy