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Ark. Baker Joins Pursuit Of Bankrupt Hostess

By Maria Chutchian – Law360, November 26, 2012

Law360, New York (November 26, 2012, 11:04 PM ET) -- An Arkansas company on Monday asked the New York judge overseeing the Hostess Brands Inc. bankruptcy for a delay in the proceedings, becoming the latest company to announce its intention to purchase the fallen snack icon.

Cookies & Sweets Bakeries filed a motion for a continuance in the U.S. Bankruptcy Court for the Southern District of New York, saying it plans to go public Dec. 8, at which time it will be able to offer its employees stock options and shares. Cookies & Sweets didn't put a price tag on Hostess' assets.

“With new leadership and vision the company will restore confidence to all members associated with the Hostess Brand,” the motion says.

Cookies & Sweets says it has been in contact with Paul Weiss Rifkind Wharton & Garrison LLP and Milbank Tweed Hadley & McCloy LLP, but neither appear as the company’s counsel in the filing. The company also says it has been in touch with Hostess’ lawyers at Jones Day about its motion.

Last week, Sarasota, Fla.-based private equity firm Hurst Capital LLLP offered to buy the Twinkie maker's brands and assets.

Hurst said in a statement that it wants to acquire the debtor's assets and brands, including Twinkies, Ding Dongs, Ho Hos and Wonder Bread. Although the specifics are under wraps, Hurst said the “multimillion-dollar” offer would include picking up Hostess' property, cash, cash equivalents, intellectual property, brands, websites, equipment, supplies, contracts, licenses and other property.

Hostess received the go-ahead Wednesday to begin winding down its business and selling off its assets and brands, with a New York bankruptcy judge granting its emergency liquidation motion after the Twinkie maker was unable to reach an agreement with its bakers union in mediation.

With the judge's permission, which was granted on an interim basis, Hostess now can begin what it expects to be a yearlong process of winding down its business, with the most labor-intensive activity to take place over the next three to four months. The company says it plans to keep on about 3,200 employees, out of a total 18,500, to facilitate the wind-down process.

The decision to liquidate came after a weeklong, nationwide strike by the Bakery, Confectionery, Tobacco and Grain Millers Union, which affected two-thirds of Hostess' 33 bakeries nationwide, hampered the debtor's operations, and it became more pressing once last week's mediation attempt with the union failed.

Labor disputes have been simmering since Hostess filed for Chapter 11 protection in January, saying the costs of its union contracts were making it impossible for the company to remain afloat. According to bankruptcy filings, Hostess has roughly $2 billion in unfunded pension liabilities to workers in various unions, including the bakers union and the Teamsters.

Hostess is represented by Corinne Ball, Heather Lennox, Veerle Roovers and Michael Silberfarb of Jones Day.

The bankruptcy is In re: Hostess Brands Inc. et al., case number 12-bk-22052, in the U.S. Bankruptcy Court for the Southern District of New York.

Ex-Hostess Employee Brings WARN Act Class Action

By Lisa Uhlman – Law360, November 26, 2012

Law360, New York (November 26, 2012, 6:09 PM ET) -- A former Hostess Brands Inc. employee filed a putative class action in New York bankruptcy court Wednesday accusing his onetime employer of terminating workers without cause and without the 60 days' advance notice required by the Worker Adjustment and Retraining Notification Act.

Mark Popovich, who worked as a loader in a Hostess shipping facility in Ohio, sued the company and its subsidiaries IBC Sales Corp., IBC Services LLC, IBC Trucking LLC, Interstate Brands Corp. and MCF Legacy Inc. on the same day U.S. Bankruptcy Judge Robert D. Drain ruled that the debtors could begin winding down their businesses and selling off assets and brands. The ruling came after the Twinkie maker was unable to reach an agreement with its bakers union.

As a result of that ruling, more than 15,000 of Hostess' 18,500 employees were laid off or will be laid off within 30 days, Popovich says. He alleges those employees were terminated without cause and were not given 60 days' advance written notice of their terminations, in violation of the WARN Act.

“Plaintiff and all similarly situated employees seek to recover from defendants 60 days' wages and benefits pursuant to the WARN Act and various state WARN Acts, and payments owed to them under defendants' benefit plans,” the complaint said. “Plaintiff Popovich's claims, as well as the claims of all similarly situated employees, are entitled to first-priority administrative expense status.”

Popovich seeks to represent individuals employed by the debtors within 30 days of Nov. 21 who were terminated without sufficient notice under the WARN Act, deprived of accrued vacation pay and severance pay, and denied benefits to which they are entitled under the Employee Retirement Income Security Act.

According to the complaint, about 83 percent of Hostess' employees are union members, and the company is party to 372 separate collective bargaining agreements.

“Hostess has blamed many of its financial problems on these CBAs, characterizing them as inflexible and uncompetitive,” the complaint said. “As a result, with threats of a possible company shutdown, Hostess has attempted to force unions like the International Brotherhood of Teamsters and the Bakery, Confectionery, Tobacco Workers and Grain Millers International Union to ratify CBAs that call for extreme wage and benefit cuts.”

Popovich alleges that in an attempt to gain leverage, Hostess issued “deliberately ambiguous” notices threatening that if the unions didn't ratify proposed changes to the CBAs, the company might have to shut down.

“These notices failed to comply with the plain language of the WARN Act and the WARN Act regulations,” the complaint said. “Among other things, they constituted nothing other than nonspecific impermissible rolling notices given with the intent to evade, [and] not comply with, the WARN Act.”

Popovich argues that the defendants' Nov. 21 decision to terminate his employment and that of similarly situated employees without the required 60 days' notice violated the WARN Act.

He seeks class certification, designation as class representative, and a first-priority administrative claim against the debtors equal to their unpaid wages, salary, commissions, bonuses, accrued holiday and vacation pay, and pension and 401(k) contributions.

“I think that we'll ultimately prove that there were violations of the Warn Act and the employees should be compensated for that,” Charles A. Ercole of Klehr Harrison Harvey Branzburg LLP, who represents Popovich, told Law360 on Monday.

Counsel for Hostess declined to comment.

Popovich is represented by Jeffrey D. Kurtzman, Charles A. Ercole, Lee D. Moylan and Kathryn Evans Perkins of Klehr Harrison Harvey Branzburg LLP as well as by Matt Ray and Dan Winikka of Simon Ray & Winikka LLP.

Hostess is represented by Corinne Ball, Heather Lennox, Veerle Roovers and Michael Silberfarb of Jones Day.

The bankruptcy is In re: Hostess Brands Inc. et al., case number 7:12-bk-22052, in the U.S. Bankruptcy Court for the Southern District of New York. The instant suit is Popovich v. Hostess Brands Inc. et al., case number 1:12-ap-08314, in the same court.

Laid-off bakery workers seeking new jobs

By Jeff Matthews - Alexandria Daily Town Talk, November 27, 2012

The last time Steve Golemon was looking for a job, the Internet was more novelty than necessity and phones definitely were not smart.

Golemon worked for the past 16 1/2 years for Cotton Brothers Bakery. The approximately 200 employees of the business were told they no longer had jobs on Nov. 16 when snack food manufacturing giant Hostess Brands Inc. asked a bankruptcy court judge for permission to shut down its businesses and sell its assets.

"I got out of school in 1978, and this was my third job," said Golemon, who worked for 17 years in the oil fields before taking a job where his father and three brothers all worked.

Golemon admits it's "a little intimidating" looking for a job again after so long. Hoping to make things a little easier on him and the other displaced workers from Cotton Brothers were members of the Louisiana Workforce Commission's Rapid Response team.

LWC held four informational sessions Monday for former Cotton Brothers workers at the Central Louisiana Business Incubator. More than 110 of the 201 displaced workers participated.

"Fabulous," Jennie Tinker, a member of the Rapid Response team, said of the turnout. "Especially for an after the layoff orientation. Normally, we get to the workers before the layoff."

Staffers presented participants with information about tools and resources available through LWC, including résumé builders, local labor market information with details about in demand jobs and job search engines that can match their skills with job openings. For more about LWC, visit www.laworks.net.

"There are a lot of opportunities and programs available besides unemployment," Tinker said. "There are so many re-employment services out there. We're about re-employment, not unemployment."

"They gave some good positive input," said Larry Sims from Glenmora, who worked at Cotton Brothers for seven years. "I'm just going to keep a positive attitude."

Golemon was interested in training opportunities available.

"I'm 52 years old," the Hineston resident said. "I'm concerned about what I can do. The work I did in the bakery can transition to an industrial job, but I don't know how long I can continue to do that kind of work. That's why I'm contemplating a change."

LWC is currently working with Central Louisiana Economic Development Alliance on a job fair for the displaced Cotton Brothers workers. It will be held on Dec. 5, likely at the incubator on Wimbledon Drive in Alexandria. Further details will be released when they're finalized.

Tinker said several local employers have already reached out to LWC and CLEDA to offer their help.

"Really, they just want someone to come in and give them some hope," Tinker said. "That's what Rapid Response is all about."

Hostess' problems mean more sophisticated pastries have won

By Amy Goldman Koss - The Los Angeles Times, November 27, 2012

In my childhood, Hostess snack foods loomed as the symbol of freedom. Freedom from the cruel health food regimen and ethnic dietary peculiarities of my keepers. Freedom to eat and dance and flirt and wear loafers and be cute and silly and utterly American. While I trudged the three blocks to Zeman's bakery for a loaf of salted and seeded rye wrapped in brown paper, I knew that happy, free girls were out there digging into plastic polka-dotted bags of Wonder Bread, selecting two perfect slices as soft as clouds. They would then roll the bread into white balls, or spread peanut butter and jelly on them. Even a single slice of baloney looked lovely and pure on Wonder Bread. These lucky girls didn't even need teeth! They could eat using only their tongues against the roofs of their mouths. Rye bread required not only teeth and jaws, but determination. Rye bread was no laughing matter. Sometimes the hair-netted lady at Zeman's let me pick a treat from the cookie counter.

I'd choose between prune and poppy-seed filling, contained in dough so dry it screamed for milk. Or sometimes, I'd opt for the round cookies with a small dab of red jelly in the center, which my dad called "bloody sores." These pastries did not giggle or float or bounce or look like happy coconuts. They had no cream filling or anything else soft and silly. The desserts of my childhood were level-headed and serious. The worldview of Hostess fun food hadn't entered my parents' consciousness, let alone their diet. Frozen peas, and a few other time-saving Sputnik foods, made it through our front door. But Twinkies? Never. The girls at school who had Wonder Bread sandwiches and Hostess cupcakes in their lunches were the very same girls who didn't have to wear heavy, clunking oxfords for their arch support. The TVs were on in their houses while they ate dinner, and they were allowed soda pop, pizza, potato chips and store-bought cake at their birthday parties. Their moms wore makeup and heels and nail polish, and their dads joked with us. And many of them got their hair cut by actual beauticians. I envied every single thing about them, including that they didn't seem to realize what amazing lives they had. They were entirely casual about having not just the occasional Twinkie as a super treat after hours of pleading, while facing brain surgery or because a dog had died. All they had to do was help themselves from boxes kept in their own kitchen cupboards and replenished every week! So what happened to all those happy Hostess Twinkie and Ding Dong girls? Didn't they grow and multiply, ensuring that ever more boxes of Ho Hos made it to shopping carts and kitchen cabinets? It doesn't seem possible that in the battle of prune filling versus fluffy cream, the prune won. But why else would Hostess Brands be closing 36 plants and threatening to fire 18,500 bakery employees? Or be talking about chopping up the company and selling the treats piecemeal, the Twinkie recipe here, the Wonder Bread recipe there? As a child, I assumed that the moment I was a free adult, doing my own grocery shopping with my own money, I'd fill my cart and home with Hostess everything. But somewhere along the line I forgot to do so. And now, given the possible liquidation of the company, I realize I've probably missed my chance. The news talks of unions and strikes and fiscal mismanagement, but perhaps the problem was that I wasn't the only girl whose head was turned by more sophisticated pastries and possibilities. The Pepperidge Farm Milano, say, or even a Trader Joe's lemon tart. Nonetheless, the potential loss of the Hostess Brand makes me melancholy for the kind of adulthood I'd intended to grow into, and for the little girl whose dreams of a Wonder Bread future never came true. Amy Goldman Koss' latest novel for teens is "The Not-So-Great Depression." She wrote this column for the Los Angeles Times.

Hostess shut down forcing Mississippi school districts to look elsewhere for bread

By Associated Press, November 27, 2012

JACKSON, Miss. (AP) - Dozens of Mississippi school districts are looking for a new supplier for bread and rolls as the shutdown of Hostess impacts lunchrooms.

The Mississippi Department of Education tells The Clarion-Ledger (http://on.thec-l.com/UZh3MH) that six out of seven regions of the state are affected by the shutting down of Hostess Brands foods.

Department spokeswoman Patrice Guilfoyle says school districts are working with frozen foods vendors to ensure that whole-grain items are coming in to meet meal requirements.

Guilfoyle says the department offers an optional bread purchasing program for schools that participate in the statewide dry and frozen purchasing system.

For those schools who participate, she says Hostess is the vendor for six out of seven regions. Those areas were notified on Nov. 16 that Hostess could no longer fulfill their contracts.

Schools adapting menus; Hostess' end alters lunches

By Therese Apel - Clarion-Ledger, November 27, 2012

The Mississippi Department of Education says school lunch menus in six out of seven regions of the state are affected by the shutting down of Hostess Brands foods.

Education Department spokeswoman Patrice Guilfoyle said Hostess is the supplier for the bread vendor for those regions.

"The MDE offers an optional bread purchasing program for schools that participate in the statewide dry and frozen purchasing system. For those schools who participate, Hostess is the vendor for six out of seven regions. The Hostess shutdown is an issue for schools who participate in this system," she said.

She added that school districts are working with frozen foods vendors to ensure that whole-grain items are coming in to meet the meal requirements.

According to an email sent to the childhood nutrition specialists in each of the seven regions, the bread company in all but one region notified the Education Department on Nov. 16 that they would no longer be able to service their contracts.

The Lincoln County School District announced Monday that it is making menu changes because of the lack of fresh bread deliveries.

A news release from Jeremy Berry, the district's Child Nutrition Director, said the district was notified that its vendor, which was receiving their product from Hostess, will no longer be able to service the contract.

Two other companies were asked for bids, and one said it would not be able to cover any bread deliveries at this time. The other distributor submitted pricing which was, in some cases, 250 percent higher than its bid pricing in another region.

"We have been forced to make menu changes to accommodate for the lack of fresh bread deliveries. We have also started the process to begin receiving several frozen products from one of our current suppliers," Lincoln County's release reads. "We apologize for this inconvenience and are doing everything possible to resolve this issue as soon as possible."

The MDE email said the optional bread program in the affected regions was canceled for the time being. Many of the affected schools already have moved to frozen hamburger and hot dog buns from their frozen food vendor, and the school districts will add a 51 percent whole-grain loaf bread that will ship around Dec. 5.

Clinton Public School District spokeswoman Sandi Beason said that district will be affected by the Hostess shutdown. She said officials there do not yet know who their new vendor will be.

Rankin County School District spokeswoman Carol Jones said that district will be working with a Sara Lee vendor.

"According to the JPS Food Service Department, the school district is not experiencing any problems and JPS does not receive bread products from Hostess," said Sherwin Johnson, executive director of public and media relations.

Other school districts in the metro area contacted by The Clarion-Ledger were not able to say immediately whether they are being affected by the Hostess situation.

Other bakeries could pick up Hostess drivers

By Jon Chavez - The Blade, November 27, 2012

Nov. 27--Last week's closing of Hostess Brands Inc. not only will end the jobs of 250 workers at the company's bakeries in Northwood and Defiance and three area outlet stores, it also will result in the loss of 80 jobs held by unionized drivers that distributed bread and baked goods to area grocery stores.

Chuck Collinson, a business agent with Teamsters Local 20 in Toledo, said that as a result of Hostess' shutdown, 46 bread transport drivers, 30 sales drivers who operate small delivery trucks, and four office workers are out of a job.

"They are all laid off permanently. They'll get unemployment benefits, and there's a possibility someone else who steps in to fill the void could hire some of them, but that's a long shot," Mr. Collinson said.

Don Pountain, Toledo branch manager for Nickles Bakery of Navarre, Ohio, said his company is likely to hire some of the area drivers who delivered Hostess products.

"You always want to bring in talent. I'm sure there will always be room for good people," Mr. Pountain said. "We'll be adding business as a result of this."

The Nickles manager said that although his company will be interested in delivery drivers, jobs for those who were employed at the Northwood or Defiance bakery operations might be harder to come by. Nickles' baking operations are in Lima; Navarre, which is southwest of Canton in eastern Ohio; and Martin's Ferry, Ohio, which is on the West Virginia border.

"Anybody interested in a baking job would probably have to relocate," Mr. Pountain said.

Last week at a court hearing in White Plains, N.Y., Hostess won interim approval from a bankruptcy judge to shut down and take steps to sell the company's assets after mediation with its bakers' union failed to resolve a contract dispute, leaving more than 18,000 jobs at risk.

U.S. Bankruptcy Judge Robert Drain approved Hostess's request to close, and afterward company Chief Executive Officer Gregory Rayburn issued orders to dismiss 15,000 workers immediately so that they could start receiving unemployment benefits.

The judge could issue final approval of the bankruptcy liquidation at a hearing on Thursday.

Mr. Collinson said it will probably take a few weeks for the situation to settle down and for interested bidders to come forward and decide if they want to buy the Northwood or Defiance baking operations.

In the meantime, other bakery companies could make moves to expand and take up the available market share that Hostess held with its Wonder, Butternut, and Nature's Pride breads, and its Hostess brand cakes, pies, and other baked goods.

Jim Sautter, owner of Sautter's 5-Star Markets in Sylvania and Waterville, said he already was reconfiguring his store shelves and ordering additional bread from other bakeries to fill the space previously allotted to Wonder Bread.

"There's still other bread companies out there. There's a great demand to fill that void, and I would expect that some [Teamster drivers] will probably catch on with other bread companies because somebody's got to fill the void that Wonder created," Mr. Sautter said.

Tastykake begins filling the holes left by Hostess

By Joseph N. DiStefano - The Philadelphia Inquirer, November 27, 2012

Philadelphia-based Tastykake, owned by Flowers Foods, is helping fill the void left by Twinkie maker Hostess Brands Inc.'s bankruptcy liquidation.

From exile in suburban Boston, Broomall native David Weinstein tells me he got a happy surprise Sunday when he found fresh Tastykake Krimpets on the shelves formerly occupied by durable Hostess lines at the Shaw's grocery in Stoughton, Mass. "Many of us who live in New England love the idea of having access to Tastykakes in the supermarkets," he said.

How'd that happen? "We had already been working on getting Tastykake into our stores," said Steve Sylven, spokesman for Shaw's (and Acme Markets) owner Supervalu Inc. But when Hostess announced its shutdown, "we accelerated the roll-out. Stores began receiving their first deliveries this past Saturday and we expect all of our stores will be carrying Tastykake by this Thursday."

Versa buys EMS

Philadelphia-based Versa Capital Management L.L.C., a turnaround firm that tries to squeeze value from troubled companies, is the latest owner of Eastern Mountain Sports (EMS), which sells outdoor recreation gear from mall stores in 12 states.

Versa won't say what it paid. EMS, based in Peterborough, N.H., operates 69 stores, down from 85 in 2007, when the privately owned chain reported yearly sales around $200 million. Expansion plans didn't survive the recession.

Profitable retailers have sold for roughly the value of a year's revenues, but "it's a brutal environment for these mid-sized" chains, and Versa's focus on distressed companies suggests it paid less, says Philadelphia investment banker Andrew Greenberg, co-owner of GF Data Resources, which tracks private-company sales.

Buyer Versa, a $1.2 billion-asset firm whose backers include real estate mogul/Penn State patron/Valley Forge Casino boss Ira Lubert and whose clients include Pennsylvania state pension funds, said one of its principals, Mark Walsh, will serve as EMS' chairman. Walsh also chairs the Bob's Stores clothing chain, another Versa property. In a statement, Versa boss Gregory L. Segall called EMS "a natural fit" for Bob's. Walsh said the chains will collaborate.

EMS chief executive Will Manzer, who led a buyout of the chain from American Retail Group of Atlanta in 2004, will keep his job title, for now. Previous EMS owners included movie studio Warner Communications Inc., and the Franklin Mint, the collectibles marketer. Philadelphia law firm Dechert L.L.P. advised Versa.

EMS "has passionate store associates, a rarity in retail," and was among the first to offer store pickup for online purchases, says Fiona Dias, chief strategy officer at ShopRunner, a Conshohocken-based online shopping co-op that includes EMS. She said Versa's investment could boost online sales beyond EMS's Northeast store network.

VC retail

Philadelphia-based venture capital firm First Round Capital, which manages scores of six- and seven-figure investments in small tech-oriented firms, turned to its network of social-media fans, partners and wannabes to promote Cyber Monday discounts at retailers it backs.

"Take advantage of today - before it's too late," First Round cofounder Josh Kopelman urged followers.

"More than two dozen of their investments are listing holiday deals," wrote Tricia Duryee at AllThingsD.com. "Companies participating include One Kings Lane, Dog Vacay and Hotel Tonight. The offers range from free shipping to $50 or 15 percent off."

Since Kopelman "has 43,428 Twitter followers, he can personally move the needle on shopping on these sites with the tweet that he sent out," noted ShopRunner's Fiona Dias.

Did sales rise? "For us, success, really, is driving awareness," Kopelman told me.

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4 sessions today in Alexandria to help laid-off bakery workers

By Alexandria Daily Town Talk, November 26, 2012

The Louisiana Workforce Commission is holding four orientation sessions today (Monday) in Alexandria for Hostess Brands Inc. employees who have been laid off in the company's liquidation.

The sessions will be at the Central Louisiana Business Incubator, 1501-A Wimbledon Drive in Alexandria. They start at 8:30 a.m., 10:15 a.m., 1:30 p.m. and 3:15 p.m.

Commission staff members will familiarize workers with free re-employment services available, as well as explain unemployment insurance benefits and eligibility.

No reservations are required, and employees may attend the session of their choice.

More than 200 workers were laid off from the Cotton Brothers/Holsum Bakery on South MacArthur Drive in Alexandria when parent company Hostess Brands of Texas filed for bankruptcy last week. The company plans to see all of its assets, including more than 30 bakeries around the country. More than 18,500 employees will be laid off, including those at the Alexandria location.

Washington View: Demise of Hostess signals new reality

By Don Brunell – Columbian.com, November 27, 2012

The end of Hostess Brands Inc. is a lesson for us all.

Hostess, maker of Twinkies, Ding Dongs and Wonder Bread, was trying to emerge from its second bankruptcy in three years when a bakery workers' strike effectively signed the company's death warrant. When the strikers refused to return to work, the company shut its doors, putting 18,500 people out of work.

The bankruptcy judge made one final attempt at mediation, but the union president didn't attend, sending another union officer in his place. When the sides couldn't agree, Hostess officials said they would proceed with plans to liquidate the company's assets.

The Teamsters union had accepted a pared-down contract for the company's delivery drivers and urged bakery workers to do the same. But Frank Hurt, the 20-year president of the Bakery, Confectionery, Tobacco Workers and Grain Millers International Union, exhorted his members to reject further concessions.

As a result, everyone lost their jobs.

Hurt has been criticized by Teamsters' members and others for pushing the strike despite the company's economic woes. Bankruptcy Judge Robert Drain said there are "serious questions as to the logic behind the decision to strike."

But Hurt refused to take the blame, instead blasting Wall Street "vulture capitalists." A statement on the union's website said: "The Wall Street investors who took over the company after the last bankruptcy attempted to resolve the mess by attacking the company's most valuable asset — its workers."

The Hostess strike reminds me of a similar standoff with the Anaconda Copper Company in Butte, Mont., 30 years ago — right down to the Twinkies.

When I was growing up in Butte, three things were certain: taxes, death and miners' strikes. You could tell when the miners' strikes were coming to an end because the Hostess delivery man started stocking the grocery stores with Twinkies and cupcakes — staples in the miners' lunch buckets.

Historically, the miners' union would strike one of the big three mining companies to win wages and benefits that would serve as the model for contract talks with the rest of the industry.

But when miners in Butte threatened to strike Anaconda again in 1983, it was the last straw. The company had reached its tipping point.

Over the decades, the once-giant Anaconda Copper Company had become weakened by fierce global competition, lower copper prices and environmental costs. In 1977, it was sold to Atlantic Richfield. The union didn't believe it when company owners said there was no money for higher wages and benefits.

Implementing a strategy that had always worked before, the miners' union called for a strike. In response, Anaconda suspended all mining and smelting operations, flooded its underground mines and demolished its smelters at Anaconda and Great Falls.

In today's tough global economy, the old rules no longer apply. The head of the bakery workers' union didn't understand that. His strategy had always worked before; surely it would work again. But he was wrong. Regardless of what caused the company's weakened financial condition, the result was the same: there was no more money.

It is a lesson for us all. Voters want to keep all the programs, entitlements and services we've grown accustomed to, but we don't want to pay higher taxes. As a result, the federal government borrows $3.87 billion each day to provide these goodies, in the process ruining America's once-great credit rating and shackling our children and grandchildren with generations of debt.

At some point, we need to understand that there isn't enough money to have everything we want. And stubbornly refusing to acknowledge this new economic reality isn't the solution.

Just ask the folks who used to work for Hostess.

Could Hostess' Brands Bloom for Flower Foods?

Nation's second-largest baker said to be likely bidder for Twinkie, Ho Hos

By CSP Daily News, November 27, 2012

THOMASVILLE, Ga. -- Flowers Foods Inc., the maker of Tastykake and Nature's Own baked goods, could have a hankering for Twinkies and other products owned by Hostess Brands Inc.

The Thomasville, Ga., company is considered a likely bidder for some of the assets owned by Hostess, according to a report in the Wall Street Journal. Last week, Hostess was granted permission by a federal bankruptcy-court judge to begin liquidating. The end came after a contentious bankruptcy that began in January and culminated this month in a strike.

Flowers, the nation's second-largest baker by sales behind Grupo Bimbo, hasn't stated an intention to acquire Hostess assets, but the company said last week that it had renegotiated lending terms that could allow it to tap additional cash, a signal that it could be gearing up to make a bid, the report stated.

In a CSP Daily News poll this past week, 12% of respondents said they thought Flowers Foods is the most-likely buyer of the Hostess brands, but 18% each (the highest poll totals) thought Bimbo or a private equity/turnaround firm would purchase the brands. Another 12% think Kraft is a likely acquirer.

In bankruptcy court last week, an attorney for Hostess said the company had received a "flood of inquiries" from potential buyers.

"We therefore think there could be very healthy competition," said Heather Lennox, the company's outside lawyer at Jones Day. She added that Hostess may, within the next several weeks, start seeking court approval to take specific assets to the auction block, according to the report. The company is looking for buyers for its approximately 30 brands, 36 plants and other assets.

A Flowers spokesman didn't respond to the Wall Street Journal’s requests for comment.

Flowers already has been trying to fill in the geographic gaps in its business. It bought certain assets and the license to the Sara Lee and Earthgrains bread brands from Grupo Bimbo in California, where it previously didn't have a presence. Flowers has begun selling its Nature's Own bread in some markets in California now that it has a relationship with retailers there.

Are Twinkies and Wonder Bread brands worth millions?

By South Florida Business Journal, November 27, 2012

Have you ever wondered what Wonder Bread is worth?

The bread brand along with Twinkies and Ho Hos are just some of the iconic products of Hostess Brands that could be worth millions, yet may not fetch that much in bankruptcy auctions, the Dallas Business Journal reports.

“Are some of these brands worth hundreds of millions? The answer is yes,” Amit Sharma, a New York-based analyst at BMO Capital Markets, told the Business Journal.

However, Hostess likely won’t receive the full value for its brands.

“This is a distressed asset sale,” Sharma said.

Hostess Anchorage outlet receives last shipment

By Associated Press, November 27, 2012

A Hostess Brands' bakery outlet in Anchorage has received its final shipment.

KTUU (http://is.gd/Zj58AL) says the Sunrise Bakery received its last shipment Monday. No date was immediately set for the bakery's official closure.

Kathleen Seibel, Hostess Brands' bakery outlet district manager, says Sunrise Bakery is one of only two stores in her district that are still open. The other store is located in Tacoma, Wash.

Hostess — the maker of Twinkies and Wonder Bread — got the OK from a bankruptcy judge last week to begin shutting down after failing to reach agreement to end a strike by a bakers' union.

The Anchorage bakery has baked, delivered and sold dozens of Hostess products since 1962.

Twinkies worth millions despite auction price tags

By Kansas City Business Journal, November 27, 2012

Some of Hostess' top-shelf brands could sell for less than their market value in the bankruptcy auction, the Dallas Business Journal reports.

Hostess Brands Inc.'s decision to liquidate will speed a sale of such iconic brands as Wonder Bread and Twinkies. But one analyst cautioned that depending on demand by bidders, the process also could lead to sale prices that come in less than the brands' actual value.

The report says that bidders expressing interest in Hostess' brands include Georgia's Flowers Foods Inc. (NYSE: FLO) and Mexico's Grupo Bimbo.

Twinkie fans disappointed at Hostess sale

By Jessi Mitchell – WRBL, November 26, 2012

Twinkie fans stood in line for a chance to get their favorite treats for 50 cents each at the Dolly Madison outlet store, but when the doors opened, the Twinkies were nowhere to be found.

With Hostess Brands in bankruptcy and factories around the country at a stand still, snack fans may be facing their last chance to taste Twinkies, HoHos and other Hostess treats. The absence of the cream filled favorite, however, was not well received.

Doors at the Dolly Madison outlet store opened at 8:59 a.m. to an onslaught of customers waiting to buy their favorite Hostess snacks. Within minutes the line was snaked through the store.

Mary Kate Dornford says, "I found a super deal! I feed the homeless...and I needed some bread, and I got two loaves of bread for a dollar and nine cents."

Some people chose to shop to support the brand in hopes that it might bring the company back to life. "I hate that all the employees lost their jobs," customer David Huff says. "I really still hope and pray they can come up with something so they can get their jobs back."

Twinkie fans, however, were met with disappointment. With the passing of the initial rush, customers were still mad that there were no Twinkies.

One employee said that they had to wait for a union worker to unload the truck. Another customer was told that the Twinkies would hit the shelves when the other items were gone. And yet another story was given to Debbie Edmonds.

"I've been here before the doors opened," Edmonds says, "went in, got my bags of Hostess cakes and whatnots, but I was waiting for my Twinkies, and unfortunately, they have another trailer, but it also does not contain Twinkies."

Customers at the Columbus store were happier than those in Phenix City, who faced locked doors and an "out of business" sign despite the announcement of a sale at that location.

Georgia Firm May Take Over Hostess Brands

By Randy Key - Associated Press, November 26, 2012

A Georgia firm is speculated as a possible buyer of Hostess Brands assets like Twinkies, Ding Dongs and Wonder Bread.

But industry analysts say Flowers Foods in Thomasville should be wary of any deal as Hostess liquidates. Flowers already makes Nature's Own and other recognizable bakery brands.

William Chappell is from SunTrust Robinson Humphrey. He told The Atlanta Journal-Constitution that Flowers already has a wide enough market presence to gain from the Hostess bankruptcy, without spending money buying any of its brand names.

Tim Ramey in a D.A. Davidson & Co. analyst. He said the future of Hostess brands is uncertain. Items like Twinkies, he added, hit their peak popularity a long time ago and are now in a death spiral.

Flowers executives have not discussed any plans publicly.

Hostess' Twinkie faces extinction as workers walk

By Tessa Heron – The Polly Post, November 27, 2012

Could you imagine living in a world without Twinkies?

That is the question on some sweet junkies' minds after Hostess recently filed for bankruptcy last week.

The liquidation bankruptcy ended Hostess' 82-year run as one of America's "tastiest" companies, and the fate of the delectable Twinkie has yet to be determined.

Twinkies are one of those snacks that people either love or hate. Of course, many know the common urban legend that Twinkies have an infinite shelf life that can last upwards of 100 hundred years due to all the chemicals used in their production.

According to Livestrong, "despite the rumors, Twinkies only have a shelf-life of 26 days," but really, whose counting?

Additionally, the growing obesity population is a major concern in America, and a few less fattening Hostess' treats might actually be a good thing for our country.

The 150-calorie small treat has been criticized countless times for its lack of any nutritional value whatsoever. To top it all off, a single Twinkie contains 2.5 grams of saturated fat, representing 13 percent of the recommended daily intake of saturated fat based on a 2,000 calorie diet. The epitome of "a moment on the lips a lifetime on the hips."

Of course, Hostess makes sweet treats but the problems the company has been facing over the years are not so delightful, and actually run very deep.

Weighed down by debt, management turmoil and rising labor costs, Hostess has had to file for bankruptcy twice in less than a decade. The company has been struggling under the weight of an enormous $ 1 million debt load and soaring expenses tied to its labor force.

Changing times have affected the way many older companies like Hostess pay their labor force.

Due to previous union agreements, older companies are paying their former employees in health insurance and pensions, while current employees suffer pay cuts, and do not prosper from the same benefits. It is the management that is failing, despite three different bankruptcies and sales of the company.

According to USA Today, the union, which represents about 30 percent of the Hostess' 18,500 workers, walked out Nov. 9 and the company closed its 33 plants on Friday. Workers were sent home as the company sought court approval to wind down and sell its assets. Its roughly 500 bakery outlet stores will stay open for several days to sell remaining products.

According to the New York Times, although Hostess is shutting down, Ding Dongs and Ho Hos lovers should not fret just yet.

Hostess is planning to sell its brands and other assets at an auction to be overseen by a U.S. bankruptcy judge in New York, and several potential buyers are expected to emerge.

And let us not forget about those Americans who would die for a Twinkie. Twinkies are considered one of America's most long-lived "guilty pleasures," and many might ask, "what could possibly be better than the quintessential, cream-filled sponge cake?"

These are the people, these Twinkie-lovers, who will help save the Hostess Twinkie.

Realistically, Hostess will not fail because the population of American Twinkie lovers won't fail them.

In order to make this happen, it is likely that another company will buy out Hostess, due to the substantial demand for its snack cakes and baked goods. Essentially, the Hostess brand certainly makes money, and many potential buyers are interested in taking over.

Hostess bankruptcy: The latest example of contempt for hard work

By Mike Maneval – sungazette.com, November 27, 2012

The manufacturer of Twinkies and Ding Dongs is folding, with competing companies mulling offers to buy the branding and names of the defunct employer's products after a preliminary approval on Nov. 21 for the business to liquidate. And one segment of America's political establishment isn't wasting the opportunity to yet again demonize working Americans, without regard for the consequences of their anti-labor philosophy.

A headline at the National Review's leading blog, the Corner, instructed readers to "blame unions for the Hostess bankruptcy." The website of conservative columnist Michelle Malkin bemoaned the jobs lost before saying "union bosses ... will now move on to 'help' the next batch of union workers elsewhere." The conservative website HotAir.com calls the union's behavior "insane" while approvingly citing an analysis by the Weekly Standard's Mark Hemingway, who says the pay rates for the unionized workers were "overly generous" and calls the bankruptcy "a classic example of workers not being served well by their union leaders." The anonymous commenters at Hot Air go even further, calling the workforce that produced the snack cakes central to the company existing in the first place "parasites."

The vitriolic reactions to the failures of Hostess are important, for at least two reasons: They are contradicted by the facts and conjured by fantasy, and they are illustrative of modern conservatism's deep contempt for working Americans.

As Michael Hiltzik reported in the Los Angeles Times, the unionized employees already had accepted wage cuts, benefit cuts, and layoffs shifting greater workloads on to a smaller workforce, totaling $110 million a year in value for five years. Additionally, as this most recent collapse approached, the company withheld $8 million a month in promised pension funding from workers. All, Hiltzik reports, while pay rates in the administrative or "managerial" sectors of the company were doubled or more.

But the baseless attacks on working Americans being well compensated hardly is isolated to one chain of snack cake bakeries. It's the same attitude that led many to seize the troubles two years ago at General Motors and Chrysler as a chance to scapegoat unionized assembly-line workers. It's the same attitude driving calls to cut public-sector pay and benefits for firefighters, public school teachers, prison guards and others, locally and across the state and nation. It's the same mentality that saw the Gulf of Mexico oil spill as a golden opportunity to weaken protections for cargo ship workers and that consistently opposes minimum wage increases.

And it's the same mentality responsible for at least three decades of stagnant earnings for too many Americans as prices for essential goods and services climb, and for today's unemployment, as those working Americans have less disposable income to purchase the goods and services that once kept the now jobless employed.

No dough for baker's union

By WAYNE POTTS – yourhoustonnews.com, November 27,2012

This Christmas, there will be no Ho-Hos for Hostess workers. No more Twinkies in their eyes. The company is closing its doors and laying off around 18,500 workers because the bakers' union and the company could not come to a contract agreement.

What caused this company to close? It depends on which side of the argument you want to believe. The company side or the union side.

The company claims that it has been losing money because of the loss of sales of its products. They wanted the union members to take pays cuts and other concessions to offset the losses.

Union officials claim that, while it may be true that the company was losing money, it was management's fault. There may be some substance to their argument.

Hostess was founded in 1930. Its predecessor company was know as Interstate Bakeries. They sought bankruptcy protection in 2004. In 2009, the name was changed to Hostess. Over the years, because of mismanagement, the rising cost of labor and because the consumers' tastes were changing, profit was becoming a problem.

The strike by The Bakery, Confectionery, Tobacco Workers and Grain Millers International Union was the final blow.

I worked in a union environment for most of my working years so I have a soft spot for unions. But there is something here that I do not understand. In reading about this incident, I learned that about 5,000 union members, that would not come to terms with the company, are the reason the strike could not be settled. This means that over 13,000 people are going to lose their jobs because less than half of the workforce refused to take concessions.

On the news recently, a spokesperson of the bakers stated that they would rather lose their jobs and draw unemployment than take a pay cut. This sounds a bit selfish to me. What about the other 13,000 employees? Do they feel that way? I doubt it because they all agreed to the cuts.

It also sounds a bit foolish. Yes, the unemployment money they draw may pay their bills and put food on their table, at least as long as it lasts but what about health insurance and retirement benefits? How are they going to replace these? Are they going to be able to get a job making the salary that they just gave away?

What will happen to the retirement benefits of the employees who worked there for years? Will they still get full retirement or will they be bought out for pennies on the dollar?

Taking a look at the broad picture, I think the union made a grave error. They have lost not only their jobs but the jobs of thousands of others and given up benefits that may never be replaced.

Hostess says that about 3,200 workers will stay on the payroll until they can completely shut down operations. This should take about a year. It will be a short and worrisome year. It is hard to do your job when you know you will only be employed for a short time.

I will end by sharing some advice to the bakers that could have prevented this strike. My old dad always told me that it is better to be broke and hired out than to be broke and not hired out.

I hope they remember this every time they get turned down for a job or when the unemployment money runs out.

Hostess sealed its own fate

Hostess' bankruptcy is the result of an unwillingness to adapt, not union strikes

By Patrick Larose – thedailycougar.com, November 27,2012

For the past week, America has been mourning the loss of one of its history's greatest figures: the Twinkie.

As of Nov. 16, Hostess, the producers of fine American snacks such as the Twinkie, Ding Dongs, Wonder Bread and Fruit Pies, has filed bankruptcy for the second time. The president of Hostess, Gregory F. Rayburn, has made the claim that it was the multiple strikes and union staged walk outs from within the company that has pushed them to their breaking point.

For months now, two unions from within the company, the Teamsters, which represent the delivery workers and the Bakery, Confectionary, Tobacco Workers and Grain Millers International Union (the BCTGM), have been fighting with the company about reduced wages.

Some media like Fox News have taken this strike as the cause for the liquidation of the Hostess Company.

For a minute, let's humor the idea that the union workers are responsible for the company's collapse. Let's ignore that during the strike, according to the Kansas City Star, 24 out of the company's 33 factories were still operational or that the Teamsters Union actually did concede to the company's cut wages and accepted their new deal. Let's also ignore the number of supervisors and union workers who crossed the picket lines to keep the company moving.

What is left is a company that has repeatedly failed to meet the modern standards of baking production, selling the same products with little to no innovation for nearly a century. It's a company that has been struggling out of its first bankruptcy in 2004. A company that in spite of all the concessions and pay cuts it forced upon its laborers in the face of the bankruptcy had still, according to a statement released by the BCTGM, managed to give its CEO a 300 percent raise increase.

When history looks back on the footnote that is the Hostess company, it will not be a story of how the evil powers of unions brought down one of the few American companies that was still producing in America. Instead it will prove a demonstration of what happens when a company refuses to adapt and operate on the terms of modern time. This historic fall of the Twinkie was not because of an evil, greedy union but rather the result of poor management.

For those who love the fatty, mildly sentient snack food known as the Twinkie, do not buy into the fear of the boxes of Hostess products selling for hundreds of dollars on eBay. The Twinkie itself is still far from flatlining. Vachon Inc., the company that owns the Canadian production rights for the Twinkie, is still going strong, and sooner or later what remains of Hostess will sell the name and recipe for those cream-filled horrors to the highest bidder. Like the phoenix, Twinkie the Kid will rise from his own ashes.

But for the rest of us, Little Debby always had better snack foods anyway.

Why a Flowers Foods bid for Hostess would be good for the Triad

By Amy Dominello Braun - The Business Journal, November 27, 2012

Flowers Foods Inc. is considered a likely bidder for Hostess Brands Inc. and that could be good news for the Triad.

Hostess plans to start liquidating itself after another bankruptcy and a strike by union workers. The Wall Street Journal reports that Thomasville, Ga.-based Flowers (NYSE: FLO), the nation's second-largest baker, recently renegotiated lending terms that may let it tap additional cash to make a run at Hostess, though Flowers hasn't stated an intention to do that.

So why is that good for the Triad? As the High Point Enterprise reports, Flowers Foods is the largest employer in Jamestown. The company has 250 employees at a bakery off Greensboro Road.

Flowers also has a bakery in Winston-Salem.

A Flowers bid for Hostess could also help lessen the job losses from a Hostess shutdown. Hostess had filed WARN notices in North Carolina in May warning that it could cut 617 jobs in the state if it was unable to come out of bankruptcy.

For its part, Flowers has been in growth mode. It bought Tasty Baking Co. in 2011 and Lepage Bakeries Inc. in 2012 and also recently announced it will buy certain assets and trademark licenses from BBU Inc., a unit of Grupo Bimbo, for an undisclosed sum.

The company's third-quarter profit was up 0.6 percent to $31.2 million.

PhillyDeals: Tastykake begins filling the holes left by Hostess

By Joseph N. DiStefano – philly.com, November 27, 2012

Philadelphia-based Tastykake, owned by Flowers Foods, is helping fill the void left by Twinkie maker Hostess Brands Inc.'s bankruptcy liquidation.

From exile in suburban Boston, Broomall native David Weinstein tells me he got a happy surprise Sunday when he found fresh Tastykake Krimpets on the shelves formerly occupied by durable Hostess lines at the Shaw's grocery in Stoughton, Mass. "Many of us who live in New England love the idea of having access to Tastykakes in the supermarkets," he said.

How'd that happen? "We had already been working on getting Tastykake into our stores," said Steve Sylven, spokesman for Shaw's (and Acme Markets) owner Supervalu Inc. But when Hostess announced its shutdown, "we accelerated the roll-out. Stores began receiving their first deliveries this past Saturday and we expect all of our stores will be carrying Tastykake by this Thursday."

Twinkie Maker Hostess To Close Down, Sell Brands

By Candice Choi – Associated Press, November 27, 2012

WHITE PLAINS, N.Y. (AP) — Twinkies, Ho Hos and Wonder Bread are up for sale now that a bankruptcy judge cleared the way for Hostess Brands Inc. to fire its 18,500 workers and wind down its operations.

A last-ditch effort to end a strike with Hostess' bakers union failed Tuesday night and Judge Robert Drain on Wednesday approved the company's request to shut down its business and sell the pieces to the highest bidder.

Hostess lawyers told Drain that they needed to begin the liquidation process quickly to take advantage of a surge in outside interest in its brands, which in addition to its namesake include Nature's Pride, Dolly Madison and Drake's.

Hostess, based in Irving, Texas, also wanted to quickly shut down because it has been spending about $1 million a day in payroll without any income since it halted operations last week.

The company will send out termination notices to its employees on Wednesday, said CEO Gregory Rayburn.

"Those employees now need to look for work," he said.

Hostess said it plans to retain about 3,200 employees to help with the initial phase of the wind down. The entire process should take about a year.

The snack maker's demise was years in the making. Management missteps, rising labor costs and changing tastes culminated in a crippling strike by The Bakery, Confectionery, Tobacco Workers and Grain Millers International Union.

Hostess shut down its plants late last week after it said the strike by the bakery union hurt its ability to maintain normal production. The liquidation means the closure of 33 bakeries, 565 distribution centers, about 5,500 delivery routes and 570 bakery outlet stores, the company said.

Management had said Hostess was already operating on razor-thin margins and that the strike was the final blow. The union, meanwhile, pointed to the steep raises executives were given last year, as the company was spiraling down toward bankruptcy.

"This is a very hostile situation and in some respects rightfully so," Rayburn said.

A banker working for Hostess said at Wednesday's hearing that brands typically fetch the equivalent of about a year's sales when they are sold off in liquidation. He noted Hostess' sales are in the range of $2.3 billion to $2.4 billion a year.

The banker, Joshua Scherer of Perella Weinberg Partners, said that interest in Hostess' brands has come from companies ranging from regional bakers to major national retailers that have long sold Hostess products.

"This is a once-in-a-lifetime opportunity to get iconic brands separate from their legacy operators," Scherer said during the hearing in U.S. Bankruptcy Court in the Southern District of New York in White Plains, N.Y.

The company's initial announcement on Friday that it would move to liquidate its business prompted people across the U.S. to rush to stores and stock up on their favorite Hostess treats. Many businesses reported selling out of Twinkies within hours and the spongy yellow cakes turned up for sale online for hundreds of dollars.

Hostess, founded in 1930, filed for Chapter 11 bankruptcy protection in January for the second time in less than a decade. Its predecessor company, Interstate Bakeries, sought bankruptcy protection in 2004 and changed its name to Hostess after emerging in 2009.

Traders Could Make 100% Betting Against This Potential Twinkie Savior

By Amber Hestla-Barnhart – nasdaq.com, November 27, 2012

FLO Takeovers and takeover rumors can fuel large stock moves, often with the company being acquired going up and the company completing theacquisition falling.

These price moves are logical. Takeover targets tend to be undervalued and thebuyout is usually done at a price above themarket price . After the deal, it takes time to integrate the two companies and the acquirer could see short-term costs as they build a stronger business. While the stock price of the acquirer might move higher over years, in the short term, it often falls.

However, takeoverspeculation surrounding Hostess Brands has actually caused the stock price of potential buyer Flower Foods (FLO) to gain more than 30%.

Hostess, the maker of Twinkies and other snack foods, has been in bankruptcy.Liquidation seems likely and Hostess doesoffer an attractive group of brands along with a large baking and distribution network. If the brands could be bought at the right price and integrated effectively alongside Flower Foods brands, this could be a good deal. However, those are two big "ifs."

There seems to be a bidding war developing for Hostess, which could make Twinkies and the other brands more expensive than they should be. Several other large companies believe they can complete aturnaround and create profits from the brands and distribution channels developed by Hostess. Bidding wars can lead a company to pay too much and overpaying could diminish the potential profits. Because there are so many questions associated with Hostess, the profits could be difficult to obtain no matter what the buyer pays.

Given all the uncertainty, it seems difficult to explain why Flower Foods is up so much. The price is above its upper Bollinger Band on the weekly chart. We should expect to see a break of the upper Band about 2.5% of the time, so this is an indication that the recent price activity is unusual.

A classic case of "buy the rumor, sell the news" seems likely here. If Flower Foods wins a bidding war for Hostess, traders will likely sell as they consider the reality that management will need time to integrate the struggling company. If Flower Foods loses the bidding, traders will refocus on valuation and see that the stock is potentiallyovervalued .

After the recent price surge, Flower Foods is trading at more than 26 timesearnings . Analysts expect earnings growth of 3% this year and an average of about 8% over the next five years. A Hostess acquisition would change those estimates, but Flower Foods would probably have to increase their debt and face higher interest expenses in addition to business integration costs, which could lower earnings. It is difficult to see how the acquisition could grow earnings fast enough to support the lofty price-to-earnings (P/E) ratio Flower Foods has reached.

Flower Foods is a great short trade candidate, but thedividend would make a short trade expensive since you will be liable for dividend payments on ashort sale . Put options seem like the best way to take advantage of this opportunity. After the Hostess sale is completed by the bankruptcy court, Flower Foods is likely to fall toward the lower Bollinger Band, which establishes aprice target near $18.25.

April put options with astrike price of $22.50 are trading at about $1.35. These options would be profitable if Flower Foods falls below $21.15, about 8% below the recent price. With five months toexpiration , it seems very likely that traders will reevaluate the Hostess takeover potential. If there is a sell-off in Flower Foods, these options offer a low-cost way to participate.

Action to Take --> Buy Flower Foods April 22.50 Puts at $1.50 or less. Set stop-loss at $0.50. Set price target at $3 for a potential 100% gain in five months.

Ailing U.S. Postal Service Tries to Avoid Twinkie Fate

By Angela Greiling Keane – Bloomberg, November 27, 2012

While the Hostess Twinkie may not be as central to the U.S. economy as the mail, Postmaster General Patrick Donahoe sees uncomfortable parallels of iconic products within unworkable organizational structures.

“Companies and industries have gone over their own fiscal cliff because they can’t sit down and work out their differences,” Donahoe said in an interview last week. “Like Hostess.”

Like Hostess Brands Inc., where a labor impasse prompted the snack-food maker’s liquidation, the Postal Service, with 28 times Hostess’s workforce of 18,000, has been squeezed by labor costs and changing consumer tastes to the brink of extinction. The post office’s insolvency is less imminent while no less ominous, with Donahoe projecting that the service expects to run out of cash in October without intervention from Congress.

“They’re in a box,” said Gene Del Polito, president of the Association for Postal Commerce, which represents mailers including Williams-Sonoma Inc. (WSM) and JPMorgan Chase & Co. “There’s no way out unless Congress is willing to get rid of the box. Just about every option they need to explore to reinvigorate themselves as a viable enterprise aren’t available to them.”

Turnaround specialists would be full of easy answers if the service were a private-sector company. The Postal Service is supposed to make a profit while operating as a government agency overseen by lawmakers who derive their authority over postal operations from the U.S. Constitution.

Four Days

“We in the turnaround business tend to think in terms of lead times gives you alternatives,” said Foster Finley, a managing director at AlixPartners LLP, a financial advisory firm. “When you’ve run out of lead time and you’ve gone from stressed to distressed to crisis, the bad thing is you’ve run out of options.”

Unlike a private enterprise, the Postal Service can’t close most locations even if they’re unprofitable. It can’t raise prices on its primary product by more than the inflation rate or change its pension or health benefits. And as of Sept. 28, when it exhausted its $15 billion borrowing limit with the U.S. Treasury, it can’t borrow any more money.

The U.S. Postal Service is running with no more than four days of operating cash on hand.

Labor costs have grown to 80 percent of expenses, even after 280,000 jobs were cut since 2000, as mail volume has dropped 26 percent from its peak six years ago.

Flat-Rate Boxes

The service has asked Congress to relieve it of its obligations to deliver mail to every address in the country six days a week and to pay about $5.5 billion a year into a future retirees' health-care fund -- an expense that accounts for most of the service's annual losses.

Congress hasn't acted on proposed legislation to take those steps, leaving just the lame-duck session remaining this year.

If Finley were advising a Postal Service without the constraints it faces, he'd tell it to raise rates, stop charging flat rates to ship a box anywhere in the U.S. and improve customer service at post offices.

William Brandt, chief executive officer of Development Specialists Inc., would end business delivery on Saturdays and residential delivery on Tuesdays. Business mail sits outside empty offices on Saturdays, and Tuesday residential deliveries tend to be mostly advertising mail, he said.

He'd reduce the number of retail locations, as banks have, and find ways to make money on being the only business or government entity to visit all U.S. addresses most days of the week.

Early Retirement

Last year, the service pulled back a plan to close as many as 3,700 post offices, some in towns with fewer than 100 residents, amid protests from lawmakers whose districts are affected.

"With some fairly quick radical surgery, the post office is easily salvageable," Brandt said. Online communications "doesn't seem to have slowed FedEx down much."

Only some of those things are in the Postal Service's control.

Because it competes with United Parcel Service Inc. (UPS) and FedEx Corp. (FDX) in package delivery, the service is allowed to control prices for those services, so it could reverse the flat- rate pricing around which it's centered its advertising.

It's prohibited by law, though, from raising rates by more than inflation for letters and other products where it has a near-monopoly.

Union Contract

In 2011, with mail volume and revenue well past its peak, the service signed a contract with its largest union that prohibits most employees from being fired if the service wants to downsize. The service is now offering its second round of early-retirement incentives, giving as many as 114,000 American Postal Workers Union members $15,000 apiece to retire.

More than 20,000 workers have accepted with time still to go to until the Dec. 3 deadline, David Partenheimer, a Postal Service spokesman, said.

The Postal Service is cutting other costs within its control, such as energy use, and increasing worker productivity by doing its work with fewer people, Donahoe said.

“We look at this as trying to look at the cost issues while at the same time balancing the benefits that people are looking for, that is consistent delivery for customers, affordable prices for customers,” Donahoe said. “From an employee perspective, they’re looking for a safe working environment in terms of ‘do I have a dependable paycheck and retirement.’ ”

News of Hostess bankruptcy puts a damper on popular local dessert.

By Michael W Freeman – freelinemediaorlando.com, November 27, 2012

Hostess snack cakes known as Twinkies are used at the Hamburger Mary’s restaurant in Orlando to make the popular Fried Twinkies dessert. (Photo by Michael Freeman).

ORLANDO – When the news hit John Paonessa, he instantly knew it was going to have an impact on his business, potentially depriving his customers of something that he gets request for on a daily basis. “It’s our most popular dessert,” he said.

Paonessa is the owner of Hamburger Mary’s, the restaurant at Church Street Station at 110 W. Church St. in downtown Orlando, which in addition to hosting Bingo nights, drag shows and cabarets also features a popular item on the menu: Fried Twinkies.

Problem is, Hamburger Mary’s may soon be losing a key ingredient for making it: Twinkies themselves. “If they’re not available, we have no choice” but to pull it off the menu, Paonessa told Freeline Media. “Mary relives her youth with this treat,” the menu notes in describing Fried Twinkies, which are deep-fried, then served with strawberry sauce, whipped cream and powdered sugar. As Paonessa noted, Hamburger Mary’s has been serving this delectable delight for decades.

“We’ve been here almost five years, and we’ve always had it,” he said. “The (Hamburger Mary’s) company is 40 years old this year, so they’ve been doing it for even longer.”

But now the restaurant chain is up against a big hurdle: the possible demise of the Twinkie, a snack cake owned by Hostess Brands and marketed as a “Golden Sponge Cake with Creamy Filling.”

Invented in Illinois in 1930 by baker James Alexander Dewar, the snack cake has fallen on hard times this year. On May 4, Hostess filed for Chapter 11 bankruptcy protection. On Nov. 16, Hostess officially announced that it “will be winding down operations and has filed a motion with the U.S. Bankruptcy Court seeking permission to close its business and sell its assets, including its iconic brands and facilities. Bakery operations have been suspended at all plants.”

That’s prompted a mad rush among some people to stock up on Twinkies now that the snack product is no longer being produced – a move that Paonessa said he doesn’t plan to imitate anytime soon.

“Production has already stopped, and I’ve heard of people trying to sell them on eBay, which is ridiculous,” he said.

The Fried Twinkie will remain on the restaurant’s menu for now, he said, because the restaurant buys the snack cake in bulk and have enough to last a while.

“I’ve got a good supply of it now, so at this point I don’t have to raise the price to $25,” he said. The Fried Twinkie dessert — which the menu calls “OMG – fabulous!” — now sells for $6.95.
“We go through them so quickly, we don’t have to worry about the expiration date,” he said.
But he’s not sure what the next step is.

“We did try making it ourselves, but it was tragic,” Paonessa said, adding that his chefs couldn’t quite capture whatever it is that Hostess does so well.

“Whatever they do in the production process makes it a great candidate for frying,” Paonessa said.
He’s hoping another manufacturer starts making Twinkies if Hostess disappears altogether.
“We’re pretty confident someone will buy the brand and keep it going,” he said.

Because after all, those Fried Twinkie desserts at Hamburger Mary’s have demonstrated such a lasting appeal of this tasty treat, he added.

“I think it’s the Twinkie name and the sweetness of it,” he said. “”It’s almost like a donut. You have that hot freshness to it.”

Liquidating Hostess Reports $9.2 Million Oct. Operating Loss

By Bill Rochelle – Bloomberg, November 27, 2012

October financial reports filed by Hostess Brands Inc. might give second thoughts to anyone aiming to buy the now- shuttered business.

The baker of Wonder bread had a $9.2 million operating loss in October on net revenue of $175.1 million, according to the operating report filed with the U.S. Bankruptcy Court in White Plains, New York where the judge last week authorized terminating operations.

In October there was a loss of $1.3 million before interest, taxes, depreciation and amortization.

Hostess ended the month with $38.6 million cash on the balance sheet while owing $45 million on the loan financing the Chapter 11 effort.

The bakery union went on strike Nov. 9 after Hostess imposed contract concessions authorized by the bankruptcy judge in October. In response to the strike, the company received permission from the bankruptcy judge last week to shut down the business, saying it lacked the financial resources to withstand a strike.

Now based in Irving, Texas, Hostess filed under Chapter 11 for a second time in January, listing assets of $982 million against liabilities totaling $1.43 billion. Brand names included Wonder, Hostess, Merita, Dolly Madison, Drake’s and Butternut.

Both unions accepted concessions in the first bankruptcy.

The new case is In re Hostess Brands Inc., 12-22052, U.S.

Bankruptcy Court, Southern District of New York (White Plains).

The prior bankruptcy was In re Interstate Bakeries Corp., 04- 45814, U.S. Bankruptcy Court, Western District of Missouri (Kansas City).