Hostess Seeks Bankruptcy Protection

NEW YORK (AP) — Hostess Brands Inc., the maker of Twinkies and Wonder Bread, is seeking bankruptcy protection, blaming its pension and medical benefits obligations, increased competition and tough economic conditions.

The Chapter 11 filing on Wednesday comes just two years after a predecessor company emerged from bankruptcy proceedings.

That company, called Interstate Bakeries and based in Kansas City, Mo., filed for bankruptcy protection in 2004. It emerged in February 2009.

But Hostess said Wednesday that its previous efforts to produce incremental change, including the prior Chapter 11 case, were insufficient.

In its filing with the U.S. Bankruptcy Court for the Southern District of New York, Hostess disclosed that its biggest unsecured creditor is the Bakery & Confectionary Union & Industry International Pension Fund, which it owes approximately $944.2 million.

Its second-largest unsecured creditor, Central States, Southeast and Southwest Areas Pension Plan is owed far less, about $11.8 million.

Hostess President and CEO Brian Driscoll said in a statement that the company is working to reach a consensual agreement with its unions to modify its collective bargaining agreements. The company said that its current cost structure is not competitive mostly because of legacy pension and medical benefit obligations and restrictive work rules.

Hostess said those issues, coupled with more competition and the difficult economic conditions, created a worsening liquidity situation that drove its need to reorganize.

In its bankruptcy filing, Hostess also listed its estimated assets between $500 million and $1 billion and its estimated liabilities at more than $1 billion.

The privately held Irving, Texas-based company said that it will be able to maintain routine operations thanks to a $75 million financing commitment from a group of lenders led by Silver Point Capital LP.

Reports had surfaced earlier in the week that the bakery company was planning to make such a filing.

Hostess said that it will look to restructure into a "strong, competitive" company. It will continue to run bakeries, outlet stores and distribution centers and deliver its goods during the process. The company said that it does not anticipate any

disruptions in the making of or delivery of its breads or cake products and reassured that its popular brands, which also include Drake's, Ding Dongs and Ho Hos, will still be available.

Hostess said that it is looking to "create a sustainable cost structure with competitive employee benefit plans." It also hopes to modernize its systems, fleets and plants to keep pace with customer needs.

"This company has tremendous potential if we can remove the barriers to success," Driscoll said.

Hostess has about 19,000 employees and operates in 49 states. Annual sales are about $2 billion, according to the company's website.

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