

## HOSTESS EXECUTIVES TAKE PAY CUTS



It was announced on Monday by Hostess Brands Inc. that eight company executives who were issued pay increases of up to 80 percent last summer prior to the company filing for Chapter 11 bankruptcy reorganization have agreed with the company to reductions in their salaries by a sharp margin. Hostess is the manufacturer of Twinkies and Ding Dongs among other treats. The company said that its top four executives working under new CEO Greg Rayburn have agreed with the company to reduce their salaries to \$1 per year until the company exits bankruptcy or the date of December 31, whichever date comes first. The remaining four executives working for the company agreed to return to the salaries they were paid prior to the pay hike issued last year. What is very interesting is the fact that none of the executives have been asked to return any money to the company. Rayburn said that 11 executives with the company were issued pay hikes in a decision made by the board of directors in hopes of stabilizing the management team with the company. Three of those 11 executives, which includes the general counsel and former CEO Brian Driscoll, have left the company since being issued the salary increases. "In hindsight, it didn't stabilize the team because we lost three people," Rayburn said. The four executives who agreed to the \$1 salary include chief financial officer John Stewart; head of operations Gary Wandschneider; head of human resources David Loeser and head of sales Richard Seban. When Rayburn learned of the company's situation with its unsecured creditors he said that all four executives quickly agreed to the massive pay cuts. Rayburn was named to his position last month in an effort to move Hostess through the bankruptcy process. He is an expert in restructuring and his firm charges \$120,000 per month for his services. He said that it was "the right thing to do considering the challenges we face to restore Hostess Brands." Hostess is based in Irving, Texas and is a privately held company. The company filed for Chapter 11 bankruptcy back in January, close to three years following its predecessor emerging from bankruptcy proceedings. In 2004, Interstate Bakeries from Kansas City, Missouri, filed for bankruptcy protection and then changed its name to Hostess Brands after it came out of the proceedings. Once the word spread of the executive pay cuts, the Teamsters Union said that if this is true then "Hostess executives have violated their agreement with the Teamsters that all parties, including management, would share equally in concessions that would help keep this company alive."

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