

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 10-Q

(Mark One)

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Quarterly Period Ended September 30, 2017

or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Transition Period from to

Commission File Number 001-12755

Dean Foods Company

(Exact name of the registrant as specified in its charter)



Delaware

(State or other jurisdiction of
incorporation or organization)

75-2559681

(I.R.S. employer
identification no.)

**2711 North Haskell Avenue, Suite 3400
Dallas, Texas 75204
(214) 303-3400**

(Address, including zip code, and telephone number, including area code, of the registrant's principal executive offices)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes ☐ No ☒

As of November 3, 2017, the number of shares of the registrant's common stock outstanding was: 91,071,660.

Common Stock, par value \$.01

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Part I — Financial Information

Item 1. Unaudited Condensed Consolidated Financial Statements

DEAN FOODS COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except share data)

	September 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 24,348	\$ 17,980
Receivables, net of allowances of \$5,669 and \$5,118	673,468	669,200
Income tax receivable	360	5,578
Inventories	281,073	284,484
Deferred income taxes	—	37,504
Prepaid expenses and other current assets	37,174	43,884
Total current assets	1,016,423	1,058,630
Property, plant and equipment, net	1,091,429	1,163,851
Goodwill	167,535	154,112
Identifiable intangible and other assets, net	210,205	207,897
Deferred income taxes	21,119	21,737
Total	\$ 2,506,711	\$ 2,606,227
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 648,298	\$ 706,981
Current portion of debt	142,883	140,806
Total current liabilities	791,181	847,787
Long-term debt, net	803,598	745,245
Deferred income taxes	96,485	126,009
Other long-term liabilities	211,029	276,630
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Preferred stock, none issued	—	—
Common stock, 91,004,209 and 90,586,741 shares issued and outstanding, with a par value of \$0.01 per share	910	906
Additional paid-in capital	658,109	653,629
Retained earnings	30,129	45,654
Accumulated other comprehensive loss	(84,730)	(89,633)
Total stockholders' equity	604,418	610,556
Total	\$ 2,506,711	\$ 2,606,227

See Notes to unaudited Condensed Consolidated Financial Statements.

DEAN FOODS COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except share data)

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
Net sales	\$ 1,937,620	\$ 1,964,601	\$ 5,860,028	\$ 5,692,217
Cost of sales	1,495,880	1,475,826	4,488,783	4,206,121
Gross profit	441,740	488,775	1,371,245	1,486,096
Operating costs and expenses:				
Selling and distribution	332,683	341,477	1,016,023	1,005,514
General and administrative	68,796	90,840	241,432	262,605
Amortization of intangibles	5,232	5,151	15,542	15,596
Facility closing and reorganization costs, net	7,844	9,297	22,947	9,063
Impairment of long-lived assets	24,970	—	24,970	—
Total operating costs and expenses	439,525	446,765	1,320,914	1,292,778
Operating income	2,215	42,010	50,331	193,318
Other (income) expense:				
Interest expense	16,527	16,564	50,410	50,270
Other income, net	(662)	(1,178)	(2,423)	(4,385)
Total other expense	15,865	15,386	47,987	45,885
Income (loss) from continuing operations before income taxes	(13,650)	26,624	2,344	147,433
Income tax expense (benefit)	(3,677)	12,098	4,429	60,335
Income (loss) from continuing operations	(9,973)	14,526	(2,085)	87,098
Income from discontinued operations, net of tax	11,355	—	11,355	—
Net income	\$ 1,382	\$ 14,526	\$ 9,270	\$ 87,098
Average common shares:				
Basic	90,939,101	90,423,466	90,844,613	91,076,741
Diluted	90,939,101	90,965,375	90,844,613	91,694,838
Basic income (loss) per common share:				
Income (loss) from continuing operations	\$ (0.11)	\$ 0.16	\$ (0.03)	\$ 0.96
Income from discontinued operations	0.13	—	0.13	—
Net income	\$ 0.02	\$ 0.16	\$ 0.10	\$ 0.96
Diluted income (loss) per common share:				
Income (loss) from continuing operations	\$ (0.11)	\$ 0.16	\$ (0.03)	\$ 0.95
Income from discontinued operations	0.13	—	0.13	—
Net income	\$ 0.02	\$ 0.16	\$ 0.10	\$ 0.95
Cash dividends declared per common share	\$ 0.09	\$ 0.09	\$ 0.27	\$ 0.27

See Notes to unaudited Condensed Consolidated Financial Statements.

DEAN FOODS COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(In thousands)

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
Net income	\$ 1,382	\$ 14,526	\$ 9,270	\$ 87,098
Other comprehensive income (loss):				
Cumulative translation adjustments	—	(521)	—	(1,576)
Pension and other postretirement liability adjustment, net of tax	1,627	1,194	4,903	4,229
Other comprehensive income	1,627	673	4,903	2,653
Comprehensive income	<u>\$ 3,009</u>	<u>\$ 15,199</u>	<u>\$ 14,173</u>	<u>\$ 89,751</u>

See Notes to unaudited Condensed Consolidated Financial Statements.

DEAN FOODS COMPANY
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited)
(In thousands, except share data)

	<u>Common Stock</u>		<u>Additional Paid- In Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>				
Balance, January 1, 2017	90,586,741	\$ 906	\$ 653,629	\$ 45,654	\$ (89,633)	\$ 610,556
Issuance of common stock	417,468	4	(230)	—	—	(226)
Share-based compensation expense	—	—	4,710	—	—	4,710
Net income	—	—	—	9,270	—	9,270
Dividends	—	—	—	(24,795)	—	(24,795)
Other comprehensive income:						
Pension and other postretirement benefit liability adjustment, net of tax of \$3,096	—	—	—	—	4,903	4,903
Balance, September 30, 2017	91,004,209	\$ 910	\$ 658,109	\$ 30,129	\$ (84,730)	\$ 604,418

See Notes to unaudited Condensed Consolidated Financial Statements.

DEAN FOODS COMPANY
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited)
(In thousands, except share data)

	<u>Common Stock</u>		<u>Additional Paid- In Capital</u>	<u>Retained Earnings (Accumulated Deficit)</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>				
Balance, January 1, 2016	91,428,274	\$ 914	\$ 679,916	\$ (49,523)	\$ (85,803)	\$ 545,504
Issuance of common stock, net of tax impact of share-based compensation	384,911	4	(1,962)	—	—	(1,958)
Share-based compensation expense	—	—	6,496	—	—	6,496
Repurchase of common stock	(1,371,185)	(14)	(24,986)	—	—	(25,000)
Net income	—	—	—	87,098	—	87,098
Dividends	—	—	(8,390)	(16,514)	—	(24,904)
Other comprehensive income (loss):						
Cumulative translation adjustment	—	—	—	—	(1,576)	(1,576)
Pension and other postretirement benefit liability adjustment, net of tax of \$2,914	—	—	—	—	4,229	4,229
Balance, September 30, 2016	90,442,000	\$ 904	\$ 651,074	\$ 21,061	\$ (83,150)	\$ 589,889

See Notes to unaudited Condensed Consolidated Financial Statements.

DEAN FOODS COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Nine Months Ended September 30	
	2017	2016
Cash flows from operating activities:		
Net income	\$ 9,270	\$ 87,098
Income from discontinued operations, net of tax	(11,355)	—
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	129,667	132,737
Share-based compensation expense	7,561	20,723
Loss on divestitures and other, net	3,039	1,166
Impairment of long-lived assets	24,970	—
Write-off of financing costs	1,080	—
Deferred income taxes	3,227	12,532
Other, net	5,897	276
Changes in operating assets and liabilities, net of acquisitions:		
Receivables, net	(3,248)	25,947
Inventories	9,704	3,406
Prepaid expenses and other assets	5,421	10,902
Accounts payable and accrued expenses	(85,226)	(94,706)
Income taxes receivable	5,218	3,390
Litigation settlement	—	(18,853)
Contributions to company sponsored pension plans	(38,500)	—
Net cash provided by operating activities	66,725	184,618
Cash flows from investing activities:		
Payments for property, plant and equipment	(61,384)	(81,305)
Payments for acquisitions, net of cash acquired	(21,596)	(157,321)
Proceeds from sale of fixed assets	3,112	13,742
Other investments	(11,000)	—
Net cash used in investing activities	(90,868)	(224,884)
Cash flows from financing activities:		
Repayments of debt	(1,118)	(1,178)
Payments of financing costs	(1,767)	—
Proceeds from senior secured revolver	213,600	197,200
Payments for senior secured revolver	(209,900)	(197,200)
Proceeds from receivables securitization facility	1,690,000	525,000
Payments for receivables securitization facility	(1,635,000)	(465,000)
Repurchase of common stock	—	(25,000)
Cash dividends paid	(24,540)	(24,681)
Issuance of common stock, net of share repurchases for withholding taxes	(764)	(775)
Tax savings on share-based compensation	—	678
Net cash provided by financing activities	30,511	9,044
Effect of exchange rate changes on cash and cash equivalents	—	(1,354)
Change in cash and cash equivalents	6,368	(32,576)
Cash and cash equivalents, beginning of period	17,980	60,734
Cash and cash equivalents, end of period	\$ 24,348	\$ 28,158

See Notes to unaudited Condensed Consolidated Financial Statements.

DEAN FOODS COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Three and Nine Months Ended September 30, 2017 and 2016
(Unaudited)

1. General

Nature of Our Business — We are a leading food and beverage company and the largest processor and direct-to-store distributor of fresh fluid milk and other dairy and dairy case products in the United States, with a vision to be the most admired and trusted provider of wholesome, great-tasting dairy products at every occasion.

We manufacture, market and distribute a wide variety of branded and private label dairy and dairy case products, including fluid milk, ice cream, cultured dairy products, creamers, ice cream mix and other dairy products to retailers, distributors, foodservice outlets, educational institutions and governmental entities across the United States. Our portfolio includes *DairyPure*®, the country's first and largest fresh, white milk national brand, and *TruMoo*®, the leading national flavored milk brand, along with well-known regional dairy brands such as *Alta Dena*®, *Berkeley Farms*®, *Country Fresh*®, *Dean's*®, *Friendly's*®, *Garelick Farms*®, *LAND O LAKES*® milk and cultured products (licensed brand), *Lehigh Valley Dairy Farms*®, *Mayfield*®, *McArthur*®, *Meadow Gold*®, *Oak Farms*®, *PET*® (licensed brand), *T.G. Lee*®, *Tuscan*® and more. In all, we have more than 50 national, regional and local dairy brands, as well as private labels. Additionally, with our acquisition of Uncle Matt's Organic, Inc., which was completed on June 22, 2017, we now sell and distribute organic juice, probiotic-infused juices, and fruit-infused waters under the *Uncle Matt's Organic*® brand. Dean Foods also makes and distributes ice cream, cultured products, juices, teas and bottled water. Due to the perishable nature of our products, we deliver the majority of our products directly to our customers' locations in refrigerated trucks or trailers that we own or lease. We believe that we have one of the most extensive refrigerated direct-to-store delivery ("DSD") systems in the United States. We sell our products primarily on a local or regional basis through our local and regional sales forces, and in some instances, with the assistance of national brokers. Some national customer relationships are coordinated by our centralized corporate sales department or national brokers.

Basis of Presentation — The unaudited Condensed Consolidated Financial Statements contained in this Quarterly Report on Form 10-Q have been prepared on the same basis as the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2016 (the "2016 Annual Report on Form 10-K"), which we filed with the Securities and Exchange Commission on February 22, 2017. In our opinion, we have made all necessary adjustments (which include only normal recurring adjustments) to present fairly, in all material respects, our consolidated financial position, results of operations and cash flows as of the dates and for the periods presented. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been omitted. Our results of operations for the three and nine month periods ended September 30, 2017 may not be indicative of our operating results for the full year. The unaudited Condensed Consolidated Financial Statements contained in this Quarterly Report on Form 10-Q should be read in conjunction with the Consolidated Financial Statements contained in our 2016 Annual Report on Form 10-K.

Unless otherwise indicated, references in this report to "we," "us," "our" or "the Company" refer to Dean Foods Company and its subsidiaries, taken as a whole.

Recently Adopted Accounting Pronouncements

Accounting Standards Update ("ASU") No. 2016-09 — In March 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-09, Compensation — Stock Compensation — Improvements to Employee Share-Based Payment Accounting. ASU 2016-09 simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, the accounting for forfeitures, the classification of awards as either equity or liabilities, and the classification of certain share-based payment transactions on the statement of cash flows. We adopted this ASU effective January 1, 2017, and it has been applied in accordance with the transition methods specified in the guidance. As permitted by the standard, we have not changed our accounting policy for forfeitures of share-based awards and will continue estimating forfeitures when determining compensation cost to be recognized over the vesting period. The presentation of excess tax benefits of share-based awards on the statement of cash flows has been applied prospectively; therefore, cash flows related to excess tax benefits will no longer be separately classified as a financing activity apart from other income tax cash flows. In addition, we are now recording on a prospective basis excess tax benefits and tax deficiencies related to share-based payments within the provision for income taxes on the statement of operations rather than on the consolidated balance sheet within additional paid-in capital.

ASU No. 2015-17 — In November 2015, the FASB issued ASU 2015-17, Income Taxes — Balance Sheet Classification of Deferred Taxes. ASU 2015-17 simplifies the presentation of deferred income taxes and requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The amendments eliminate the guidance in Accounting Standards Codification ("ASC") Topic 740 that requires an entity to separate deferred tax liabilities and

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assets into a current amount and a noncurrent amount in a classified statement of financial position. We adopted this ASU on a prospective basis effective January 1, 2017.

Recently Issued Accounting Pronouncements

Effective in 2018

ASU No. 2017-09 — In May 2017, the FASB issued ASU 2017-09, Compensation — Stock Compensation (Topic 718): Scope of Modification Accounting. The new guidance is intended to provide clarity and reduce both (1) diversity in practice and (2) cost and complexity when applying the guidance in Topic 718, Compensation—Stock Compensation, to a change to the terms or conditions of a share-based payment award. The amendments provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. An entity should account for the effects of a modification unless all the following are met: 1) The fair value (or calculated value or intrinsic value) of the modified award is the same as the fair value (or calculated value or intrinsic value) of the original award immediately before the original award is modified. If the modification does not affect any of the inputs to the valuation technique that the entity uses to value the award, the entity is not required to estimate the value immediately before and after the modification, 2) The vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified, and 3) The classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. This guidance is effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted, including adoption in any interim period, for reporting periods for which financial statements have not yet been issued. The amendments should be applied prospectively to an award modified on or after the adoption date. We do not intend to early adopt this ASU. We do not expect the adoption of ASU 2017-09 to have a material impact on our financial statements.

ASU No. 2017-07 — In March 2017, the FASB issued ASU 2017-07, Compensation — Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. The new guidance is intended to improve the presentation of net periodic pension cost and net periodic postretirement benefit cost. The amendments require that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net periodic benefit costs (which include interest costs, expected return on plan assets, amortization of prior service cost or credits and actuarial gains and losses) are to be reported separately and outside a subtotal of operating income, if one is presented. Currently, we record all components of net periodic benefit cost on the same line item as the employees' respective compensation expense. Upon adoption of this standard we will be required to present net periodic cost for pension and postretirement benefits in accordance with the new guidance described above. See Note 11 to our unaudited Condensed Consolidated Financial Statements for further information on our pension and postretirement plans. For public companies, this guidance is effective for interim and annual reporting periods beginning after December 15, 2017. The amendment should be applied on a retrospective basis. Early adoption is permitted as of the beginning of an annual period for which financial statements (interim or annual) have not been issued or made available for issuance. We do not expect the adoption of ASU 2017-07 to have a material impact on our financial statements.

ASU No. 2017-03 — In January 2017, the FASB issued ASU 2017-03, Accounting Changes and Error Corrections and Investments — Equity Method and Joint Ventures: Amendments to SEC Paragraphs Pursuant to Staff Announcements at the September 22, 2016 and November 17, 2016 Emerging Issues Task Force ("EITF") Meetings. The new guidance is intended to provide clarity in relation to the disclosure of the impact that ASU 2014-09 and ASU 2016-02, which are described below, will have on our financial statements when adopted. The effective dates for this guidance are the same as the respective effective dates for ASU 2014-09 and ASU 2016-02. We do not expect the adoption of ASU 2017-03 to have a material impact on our financial statements.

ASU No. 2017-01 — In January 2017, the FASB issued ASU 2017-01, Business Combinations: Clarifying the Definition of a Business. The new guidance clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. For public companies, this standard is effective for annual periods beginning after December 15, 2017, including interim periods within those periods. The amendments should be applied prospectively on or after the effective date. Early application of the amendments is allowed with certain restrictions. We do not expect the adoption of ASU 2017-01 to have a material impact on our financial statements and will prospectively apply the guidance to applicable transactions.

ASU No. 2016-16 — In October 2016, the FASB issued ASU 2016-16, Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory. ASU 2016-16 reduces complexity by allowing the recognition of current and deferred income taxes for an intra-entity asset transfer (other than inventory) when the transfer occurs. The new guidance is intended to reduce the complexity of GAAP and diversity in practice related to the tax consequences of certain types of intra-entity asset transfers, particularly those involving intellectual property. For public companies, this standard is effective for annual reporting periods

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beginning after December 15, 2017, including interim reporting periods within those annual reporting periods. Early adoption is permitted as of the beginning of an annual reporting period for which financial statements (interim or annual) have not been issued or made available for issuance. The amendments should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. We do not expect the adoption of ASU 2016-16 to have a material impact on our financial statements.

ASU No. 2016-15 — In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments. The new guidance is intended to eliminate diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The new standard is effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted for all entities, provided that all of the amendments are adopted in the same period. The guidance requires application using a retrospective transition method. We do not expect the adoption of ASU 2016-15 to have a material impact on our financial statements.

ASU No. 2016-01 — In January 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Liabilities. ASU 2016-01 supersedes existing guidance to classify equity securities with readily determinable fair values into different categories and requires equity securities to be measured at fair value with changes in the fair value recognized through net income. An entity's equity investments that are accounted for under the equity method of accounting or result in consolidation of an investee are not included within the scope of this amended guidance. The amendments allow equity investments that do not have readily determinable fair values to be remeasured at fair value either upon the occurrence of an observable price change or upon identification of impairment. The amended guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The amendments in this ASU should be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The amendments related to equity securities without readily determinable fair values (including disclosure requirements) should be applied prospectively to equity investments that exist as of the date of adoption of the ASU. Early application of certain amendments in this standard to financial statements of fiscal years and interim periods that have not yet been issued is permitted as of the beginning of the fiscal year of adoption. Except for the early application of certain amendments discussed above, early adoption of the standard is not permitted. We do not expect the adoption of ASU 2016-01 to have a material impact on our financial statements.

ASU No. 2014-09 — In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. The comprehensive new standard will supersede existing revenue recognition guidance and require revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. Adoption of the new rules could affect the timing of revenue recognition for certain transactions. Additionally, the new standard requires enhanced disclosures, including information regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. The standard allows for either "full retrospective" adoption, meaning the standard is applied to all of the periods presented, or "modified retrospective" adoption, meaning the standard is applied only to the most current period presented in the financial statements. The new standard was originally effective for reporting periods beginning after December 15, 2016 and early adoption was not permitted. On August 12, 2015, the FASB approved a one year delay of the effective date to reporting periods beginning after December 15, 2017, while permitting companies to voluntarily adopt the new standard as of the original effective date. In December 2016, the FASB issued ASU 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers, which clarifies narrow aspects of ASC 606 or corrects unintended application of the guidance. The effective date and transition requirements for ASU 2016-20 are the same as the effective date and transition requirements for ASU 2014-09.

We are currently evaluating the overall impact this guidance will have on our consolidated financial statements. We have formed a steering committee comprised of subject matter experts within the Company to help assess the impact the new revenue recognition standard may have on current accounting practices. In particular, we are evaluating the impact the new guidance may have on the classification of bulk cream sales, which are currently presented as a reduction to cost of sales within our unaudited Condensed Consolidated Statements of Operations as we believe this presentation allows us to report our true cost of fluid milk production. Additionally, we have evaluated the impact of the new standard on certain common practices currently employed by us and by other manufacturers of consumer products, such as scan-based trading, product rebates and other pricing allowances, product returns, trade promotions, sales broker commissions, and slotting fees and have formulated preliminary conclusions related to these practices. The steering committee is in the process of gathering and evaluating quantitative and qualitative information with respect to these matters, which will assist in informing our conclusions. Our assessment is ongoing and no final determinations have been made at this time.

We currently expect to adopt the ASU consistent with the deferred mandatory effective date of January 1, 2018 and to utilize the modified retrospective transition method, which would result in an adjustment to retained earnings for the cumulative effect, if any, of applying the standard to contracts in process as of the adoption date. Under this method, we would not restate the prior financial statements presented; however, we would be required to provide additional disclosures of the amount by which

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each financial statement line item is affected in the current reporting period during 2018, as compared to the prior guidance. Based on our findings to date, we do not expect the standard to have a material impact on our results of operations or financial position; however, our assessment is not yet complete. Throughout the remainder of 2017, we plan to finalize our review and method of adoption.

Effective in 2019

ASU No. 2017-12 — In August 2017, the FASB issued ASU 2017-12, Targeted Improvements to Accounting for Hedging Activities. The new guidance improves the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. The amendments in this guidance are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early application is permitted in any interim period after issuance of this guidance. We do not intend to early adopt this ASU. We do not currently expect the adoption of ASU 2017-12 to have a material impact on our financial statements as our derivative instruments are not designated as cash flow or fair value hedges under Topic 815. See Note 7 to our unaudited Condensed Consolidated Financial Statements for further information on our derivative instruments.

ASU No. 2016-02 — In February 2016, the FASB issued ASU 2016-02, Leases. ASU 2016-02 requires lessees to recognize lease assets and lease liabilities in the balance sheet and disclose key information about leasing arrangements, such as information about variable lease payments and options to renew and terminate leases. The amended guidance will require both operating and finance leases to be recognized in the balance sheet. Additionally, the amended guidance aligns lessor accounting to comparable guidance in ASC Topic 606, Revenue from Contracts with Customers. The amended guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. The amendments in this ASU should be adopted using a modified retrospective transition approach, which requires application of the new guidance at the beginning of the earliest comparative period presented in the year of adoption. We do not intend to early adopt this ASU. We anticipate the impact of this standard to be significant to our Consolidated Balance Sheet due to the amount of our lease commitments. See Note 17 to the Consolidated Financial Statements contained in our 2016 Annual Report on Form 10-K for further information regarding these commitments. We are currently evaluating the other impacts that ASU 2016-02 will have on our consolidated financial statements.

Effective in 2020

ASU No. 2017-04 — In January 2017, the FASB issued ASU 2017-04, Intangibles — Goodwill and Other: Simplifying the Test for Goodwill Impairment. The new guidance simplifies the subsequent measurement of goodwill by removing the second step of the two-step impairment test. The amendment requires an entity to perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds a reporting unit's fair value. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. For public companies, this guidance is effective for annual periods or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019 and should be applied on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We do not intend to early adopt this ASU. We do not expect the adoption of ASU 2017-04 to have a material impact on our financial statements.

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2. Acquisitions and Discontinued Operations

Acquisitions

Uncle Matt's Organic — On June 22, 2017, we completed the acquisition of Uncle Matt's Organic, Inc. ("Uncle Matt's"). Uncle Matt's is a leading organic juice company offering a wide range of organic juices, including probiotic-infused juices and fruit-infused waters. The total purchase price was \$22.0 million. Assets acquired and liabilities assumed in connection with the acquisition have been recorded at their fair values and include identifiable intangible assets of \$8.4 million, of which \$6.6 million relates to an indefinite-lived trademark and \$1.8 million relates to customer relationships that are subject to amortization over a period of 10 years.

We recorded goodwill of \$13.4 million in connection with the acquisition, which consists of the excess of the net purchase price over the fair value of the net assets acquired. This goodwill represents the expected value attributable to our expansion into the organic juice category. The goodwill is not deductible for tax purposes.

The acquisition was funded through a combination of cash on hand and borrowings under our receivables securitization facility. The values reflected above may change as we finalize our assessment of the acquired assets and liabilities. A change in these valuations may also impact the income tax related accounts and goodwill. We expect to finalize our fair value assessment by the end of 2017. The pro forma impact of the acquisition on consolidated net earnings would not have materially changed reported net earnings. Uncle Matt's results of operations have been included in our Consolidated Statements of Operations from the date of acquisition.

Discontinued Operations

Whitewave — During the three and nine months ended September 30, 2017, we recognized net gains from discontinued operations of \$11.4 million due to the lapse of a statute of limitation related to an unrecognized tax benefit previously established as a direct result of the spin-off of the WhiteWave Foods Company, which was completed on May 23, 2013.

3. Investments in Unconsolidated Affiliates

Organic Valley Fresh Joint Venture — In the third quarter of 2017, we commenced the operations of our previously announced 50/50 strategic joint venture with Cooperative Regions of Organic Producer Pools ("CROPP"), an independent farmer cooperative that distributes organic milk and other organic dairy products under the Organic Valley® brand. The joint venture, called Organic Valley Fresh, combines our processing plants and refrigerated DSD system with CROPP's portfolio of recognized brands and products, marketing expertise, and access to an organic milk supply from America's largest cooperative of organic dairy farmers to bring the Organic Valley® brand to retailers. We and CROPP each made a capital contribution of \$2.0 million to the joint venture during the third quarter of 2017.

We have concluded that the Company is not the primary beneficiary of the Organic Valley Fresh joint venture; therefore, the financial results of the joint venture have not been consolidated in our consolidated financial statements. We are accounting for this investment under the equity method of accounting. The earnings of the joint venture in the third quarter of 2017 are not material to our consolidated financial statements.

Good Karma — On May 4, 2017, we acquired a non-controlling interest in, and entered into a distribution agreement with, Good Karma Foods, Inc. ("Good Karma"), the leading producer of flax-based milk and yogurt products. This investment allows us to diversify our portfolio to include plant-based dairy alternatives and provides Good Karma the ability to more rapidly expand distribution across the U.S., as well as increase investments in brand building and product innovation. We do not expect our equity in the earnings of this investment to materially impact our consolidated financial statements. We are accounting for this investment under the equity method of accounting based upon our ability to exercise significant influence over the investee through our ownership interest and representation on Good Karma's board of directors.

4. Inventories

Inventories at September 30, 2017 and December 31, 2016 consisted of the following:

	September 30, 2017	December 31, 2016
	(In thousands)	
Raw materials and supplies	\$ 106,823	\$ 110,095
Finished goods	174,250	174,389
Total	<u>\$ 281,073</u>	<u>\$ 284,484</u>

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5. Goodwill and Intangible Assets

As of September 30, 2017, the gross carrying value of goodwill was \$2.24 billion and accumulated goodwill impairment was \$2.08 billion. We recorded a goodwill impairment charge of \$2.08 billion in 2011 with no goodwill impairment charges in subsequent years.

The changes in the net carrying amounts of goodwill as of September 30, 2017 and December 31, 2016 were as follows (in thousands):

Balance at December 31, 2016	\$	154,112
Acquisitions (Note 2)		13,423
Balance at September 30, 2017	\$	167,535

The net carrying amounts of our intangible assets other than goodwill as of September 30, 2017 and December 31, 2016 were as follows:

	September 30, 2017				December 31, 2016			
	Acquisition Costs(1)	Impairment	Accumulated Amortization	Net Carrying Amount	Acquisition Costs	Impairment	Accumulated Amortization	Net Carrying Amount
(In thousands)								
Intangible assets with indefinite lives:								
Trademarks	\$ 58,600	\$ —	\$ —	\$ 58,600	\$ 52,000	\$ —	\$ —	\$ 52,000
Intangible assets with finite lives:								
Customer-related and other	80,685	—	(40,336)	40,349	78,925	—	(37,050)	41,875
Trademarks	230,709	(109,910)	(54,081)	66,718	229,777	(109,910)	(41,824)	78,043
Total	\$ 369,994	\$ (109,910)	\$ (94,417)	\$ 165,667	\$ 360,702	\$ (109,910)	\$ (78,874)	\$ 171,918

- (1) The increase in the gross amount of intangible assets from December 31, 2016 to September 30, 2017 is related in part to an indefinite-lived trademark of \$6.6 million and a finite-lived customer-related intangible of \$1.8 million we recorded as a part of the Uncle Matt's acquisition. See Note 2. Additionally, we acquired a finite-lived trademark of a regional artisan ice cream brand for \$0.9 million during the period.

Our finite-lived trademarks will be amortized on a straight-line basis over their remaining useful lives, which range from approximately 3 to 9 years, with a weighted-average remaining useful life of approximately 6 years. Amortization expense on intangible assets for each of the three months ended September 30, 2017 and 2016 was \$5.2 million. Amortization expense on intangible assets for the nine months ended September 30, 2017 and 2016 was \$15.5 million and \$15.6 million, respectively. The amortization of intangible assets is reported on a separate line item in our unaudited Condensed Consolidated Statements of Operations.

Estimated aggregate intangible asset amortization expense for the next five years is as follows (in millions):

2017	\$	20.7
2018		20.3
2019		20.3
2020		12.2
2021		10.5

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6. Debt

Our long-term debt as of September 30, 2017 and December 31, 2016 consisted of the following:

	September 30, 2017		December 31, 2016	
	Amount	Interest Rate	Amount	Interest Rate
(In thousands, except percentages)				
Dean Foods Company debt obligations:				
Senior secured revolving credit facility	\$ 12,800	3.06 % *	\$ 9,100	2.94 % *
Senior notes due 2023	700,000	6.50	700,000	6.50
	712,800		709,100	
Subsidiary debt obligations:				
Senior notes due 2017	142,000	6.90	142,000	6.90
Receivables securitization facility	95,000	2.21 *	40,000	1.87 *
Capital lease and other	2,862	—	3,980	—
	239,862		185,980	
Subtotal	952,662		895,080	
Unamortized discounts and debt issuance costs	(6,181)		(9,029)	
Total debt	946,481		886,051	
Less current portion	(142,883)		(140,806)	
Total long-term portion	\$ 803,598		\$ 745,245	

* Represents a weighted average rate, including applicable interest rate margins.

The scheduled debt maturities at September 30, 2017 were as follows (in thousands):

2017	\$ 142,171
2018	1,125
2019	1,174
2020	95,392
2021	—
Thereafter	712,800
Subtotal	952,662
Less unamortized discounts and debt issuance costs	(6,181)
Total debt	\$ 946,481

Senior Secured Revolving Credit Facility — In March 2015, we entered into a credit agreement, as amended on January 4, 2017 and as described below (as amended, the "Credit Agreement"), pursuant to which the lenders provided us with a senior secured revolving credit facility in the amount of up to \$450 million (the "Credit Facility"). Under the Credit Agreement, we have the right to request an increase of the aggregate commitments under the Credit Facility by up to \$200 million, which we may request to be made available as either term loans or revolving loans, without the consent of any lenders not participating in such increase, subject to specified conditions. The Credit Facility is available for the issuance of up to \$75 million of letters of credit and up to \$100 million of swing line loans.

On January 4, 2017, we amended the Credit Agreement to, among other things, (i) extend the maturity date of the Credit Facility to January 4, 2022; (ii) modify the leverage ratio covenant to add a requirement that we comply with a maximum total net leverage ratio (which, for purposes of calculating indebtedness, excludes borrowings under our receivables securitization facility) not to exceed 4.25 to 1.00 and to eliminate the maximum senior secured net leverage ratio requirement; (iii) modify the definition of "Consolidated EBITDA" to permit certain pro forma cost savings add-backs in connection with permitted acquisitions and dispositions; (iv) modify the definition of "Applicable Rate" to reduce the interest rate margins such that loans outstanding under the Credit Facility will bear interest, at our option, at either (x) the LIBO Rate (as defined in the Credit Agreement) plus a

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margin of between 1.75% and 2.50% (2.00% as of September 30, 2017) based on our total net leverage ratio, or (y) the Alternate Base Rate (as defined in the Credit Agreement) plus a margin of between 0.75% and 1.50% (1.00% as of September 30, 2017) based on our total net leverage ratio; (v) modify certain negative covenants to provide additional flexibility for the incurrence of debt, the payment of dividends and the making of certain permitted acquisitions and other investments; (vi) eliminate and release all real property as collateral for loans under the Credit Facility; and (vii) provide the Company the ability to request that increases in the aggregate commitments under the Credit Facility be made available as either revolving loans or term loans.

In connection with the execution of the amendment to the Credit Agreement, we paid certain arrangement fees of approximately \$0.7 million to lenders and other fees of approximately \$0.3 million, which were capitalized and will be amortized to interest expense over the remaining term of the facility. Additionally, we wrote off \$0.9 million of unamortized deferred financing costs in connection with this amendment.

We may make optional prepayments of loans under the Credit Facility, in whole or in part, without premium or penalty (other than applicable breakage costs). Subject to certain exceptions and conditions described in the Credit Agreement, we will be obligated to prepay the Credit Facility, but without a corresponding commitment reduction, with the net cash proceeds of certain asset sales and with casualty insurance proceeds. The Credit Facility is guaranteed by our existing and future domestic material restricted subsidiaries (as defined in the Credit Agreement), which are substantially all of our wholly-owned U.S. subsidiaries other than the receivables securitization facility subsidiaries (the "Guarantors").

The Credit Facility is secured by a first priority perfected security interest in substantially all of our assets and the assets of the Guarantors, whether consisting of personal, tangible or intangible property, including a pledge of, and a perfected security interest in, (i) all of the shares of capital stock of the Guarantors and (ii) 65% of the shares of capital stock of our and the Guarantors' first-tier foreign subsidiaries that are material restricted subsidiaries, in each case subject to certain exceptions as set forth in the Credit Agreement. The collateral does not include, among other things, (a) any of our real property, (b) the capital stock and any assets of any unrestricted subsidiary, (c) any capital stock of any direct or indirect subsidiary of Dean Holding Company ("Legacy Dean"), a wholly owned subsidiary of the Company, which owns any real property, or (d) receivables sold pursuant to the receivables securitization facility.

The Credit Agreement contains customary representations, warranties and covenants, including, but not limited to specified restrictions on indebtedness, liens, guarantee obligations, mergers, acquisitions, consolidations, liquidations and dissolutions, sales of assets, leases, payment of dividends and other restricted payments during a default or non-compliance with the financial covenants, investments, loans and advances, transactions with affiliates and sale and leaseback transactions. The Credit Agreement also contains customary events of default and related cure provisions. We are required to comply with (a) a maximum total net leverage ratio of 4.25x (which, for purposes of calculating indebtedness, excludes borrowings under our receivables securitization facility); and (b) a minimum consolidated interest coverage ratio of 2.25x. In addition, the Credit Agreement imposes certain restrictions on our ability to pay dividends and make other restricted payments if our total net leverage ratio (including borrowings under our receivables securitization facility) is in excess of 3.50x.

At September 30, 2017, we had outstanding borrowings of \$12.8 million under the Credit Facility. Our average daily balance under the Credit Facility during the nine months ended September 30, 2017 was \$2.1 million. There were no letters of credit issued under the Credit Facility as of September 30, 2017.

Dean Foods Receivables Securitization Facility — We have a \$450 million receivables securitization facility pursuant to which certain of our subsidiaries sell their accounts receivable to two wholly-owned entities intended to be bankruptcy-remote. The entities then transfer the receivables to third-party asset-backed commercial paper conduits sponsored by major financial institutions. The assets and liabilities of these two entities are fully reflected in our unaudited Condensed Consolidated Balance Sheets, and the securitization is treated as a borrowing for accounting purposes.

On January 4, 2017, we amended the purchase agreement governing the receivables securitization facility to, among other things, (i) extend the liquidity termination date to January 4, 2020, (ii) reduce the maximum size of the receivables securitization facility to \$450 million, (iii) replace the senior secured net leverage ratio with a total net leverage ratio to be consistent with the amended leverage ratio covenant under the amended Credit Agreement described above, and (iv) modify certain pricing terms such that advances outstanding under the receivables securitization facility will bear interest between 0.90% and 1.05%, and the Company will pay an unused fee between 0.40% and 0.55% on undrawn amounts, in each case based on the Company's total net leverage ratio.

In connection with the amendment to the receivables purchase agreement, we paid certain arrangement fees of approximately \$0.6 million to lenders and other fees of approximately \$0.1 million, which were capitalized and will be amortized to interest expense over the remaining term of the facility. Additionally, we wrote off \$0.2 million of unamortized deferred financing costs in connection with the amendment.

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The receivables purchase agreement contains covenants consistent with those contained in the Credit Agreement.

Based on the monthly borrowing base formula, we had the ability to borrow up to the full \$450.0 million commitment amount under the receivables securitization facility as of September 30, 2017. The total amount of receivables sold to these entities as of September 30, 2017 was \$633.7 million. During the first nine months of 2017, we borrowed \$1.7 billion and repaid \$1.6 billion under the facility with a remaining balance of \$95.0 million as of September 30, 2017. In addition to letters of credit in the aggregate amount of \$109.7 million that were issued but undrawn, the remaining available borrowing capacity was \$245.3 million at September 30, 2017. Our average daily balance under this facility during the nine months ended September 30, 2017 was \$48.1 million. The receivables securitization facility bears interest at a variable rate based upon commercial paper and one-month LIBO rates plus an applicable margin based on our total net leverage ratio.

Dean Foods Company Senior Notes due 2023 — On February 25, 2015, we issued \$700 million in aggregate principal amount of 6.50% senior notes due 2023 (the “2023 Notes”) at an issue price of 100% of the principal amount of the 2023 Notes in a private placement for resale to “qualified institutional buyers” as defined in Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”), and in offshore transactions pursuant to Regulation S under the Securities Act.

In connection with the issuance of the 2023 Notes, we paid certain arrangement fees of approximately \$7.0 million to initial purchasers and other fees of approximately \$1.8 million, which were deferred and netted against the outstanding debt balance, and will be amortized to interest expense over the remaining term of the 2023 Notes.

The 2023 Notes are our senior unsecured obligations. Accordingly, the 2023 Notes rank equally in right of payment with all of our existing and future senior obligations and are effectively subordinated in right of payment to all of our existing and future secured obligations, including obligations under our Credit Facility and receivables securitization facility, to the extent of the value of the collateral securing such obligations. The 2023 Notes are fully and unconditionally guaranteed on a senior unsecured basis, jointly and severally, by our subsidiaries that guarantee obligations under the Credit Facility.

The 2023 Notes will mature on March 15, 2023 and bear interest at an annual rate of 6.50%. Interest on the 2023 Notes is payable semi-annually in arrears in March and September of each year.

We may, at our option, redeem all or a portion of the 2023 Notes at any time on or after March 15, 2018 at the applicable redemption prices specified in the indenture governing the 2023 Notes (the “Indenture”), plus any accrued and unpaid interest to, but excluding, the applicable redemption date. We are also entitled to redeem up to 40% of the aggregate principal amount of the 2023 Notes before March 15, 2018 with the net cash proceeds that we receive from certain equity offerings at a redemption price equal to 106.5% of the principal amount of the 2023 Notes, plus accrued and unpaid interest, if any, to, but excluding, the applicable redemption date. In addition, prior to March 15, 2018, we may redeem all or a portion of the 2023 Notes, at a redemption price equal to 100% of the principal amount thereof, plus a “make-whole” premium and accrued and unpaid interest, if any, to, but excluding, the applicable redemption date.

If we undergo certain kinds of changes of control, holders of the 2023 Notes have the right to require us to repurchase all or any portion of such holder’s 2023 Notes at 101% of the principal amount of the notes being repurchased, plus any accrued and unpaid interest to, but excluding, the date of repurchase.

The Indenture contains covenants that, among other things, limit our ability to: (i) create certain liens; (ii) enter into sale and lease-back transactions; (iii) assume, incur or guarantee indebtedness for borrowed money that is secured by a lien on certain principal properties (or on any shares of capital stock of our subsidiaries that own such principal properties) without securing the 2023 Notes on a pari passu basis; and (iv) consolidate with or merge with or into, or sell, transfer, convey or lease all or substantially all of our properties and assets, taken as a whole, to another person.

The carrying value under the 2023 Notes at September 30, 2017 was \$694.1 million, net of unamortized debt issuance costs of \$5.9 million.

Subsidiary Senior Notes due 2017 — Legacy Dean had certain senior notes outstanding at the time of its acquisition, of which one series remains outstanding (\$142 million aggregate principal amount) and matures on October 15, 2017. The carrying value under these notes at September 30, 2017 was \$141.8 million, net of unamortized discounts of \$0.2 million, at 6.90% interest. The indenture governing the Legacy Dean senior notes does not contain financial covenants but does contain certain restrictions, including a prohibition against Legacy Dean and its subsidiaries granting liens on certain of their real property interests and a prohibition against Legacy Dean granting liens on the stock of its subsidiaries. The Legacy Dean senior notes are not guaranteed by Dean Foods Company or Legacy Dean’s wholly-owned subsidiaries.

On October 16, 2017 we repaid in full the \$142 million outstanding aggregate principal amount of the senior notes, plus remaining accrued and unpaid interest of \$4.9 million, with borrowings from our receivables securitization facility.

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See Note 7 for information regarding the fair value of the 2023 Notes and the subsidiary senior notes due 2017 as of September 30, 2017.

Capital Lease Obligations and Other — Capital lease obligations of \$2.9 million and \$4.0 million as of September 30, 2017 and December 31, 2016, respectively, were primarily comprised of our leases for information technology equipment.

7. Derivative Financial Instruments and Fair Value Measurements

Derivative Financial Instruments

Commodities — We are exposed to commodity price fluctuations, including in the prices of milk, butterfat, sweeteners and other commodities used in the manufacturing, packaging and distribution of our products, such as natural gas, resin and diesel fuel. To secure adequate supplies of materials and bring greater stability to the cost of ingredients and their related manufacturing, packaging and distribution, we routinely enter into forward purchase contracts and other purchase arrangements with suppliers. Under the forward purchase contracts, we commit to purchasing agreed-upon quantities of ingredients and commodities at agreed-upon prices at specified future dates. The outstanding purchase commitment for these commodities at any point in time typically ranges from one month's to one year's anticipated requirements, depending on the ingredient or commodity. These contracts are considered normal purchases.

In addition to entering into forward purchase contracts, from time to time we may purchase over-the-counter contracts from qualified financial institutions or enter into exchange-traded commodity futures contracts for raw materials that are ingredients of our products or components of such ingredients. All commodities contracts are marked to market in our income statement at each reporting period and a derivative asset or liability is recorded on our balance sheet.

Although we may utilize forward purchase contracts and other instruments to mitigate the risks related to commodity price fluctuation, such strategies do not fully mitigate commodity price risk. Adverse movements in commodity prices over the terms of the contracts or instruments could decrease the economic benefits we derive from these strategies. At September 30, 2017 and December 31, 2016, our derivatives recorded at fair value in our unaudited Condensed Consolidated Balance Sheets consisted of the following:

	Derivative Assets		Derivative Liabilities	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
	(In thousands)			
Commodities contracts — current(1)	\$ 1,410	\$ 2,416	\$ 800	\$ 12
Commodities contracts — non-current(2)	—	—	10	—
Total derivatives	\$ 1,410	\$ 2,416	\$ 810	\$ 12

- (1) Derivative assets and liabilities that have settlement dates equal to or less than 12 months from the respective balance sheet date are included in prepaid expenses and other current assets and accounts payable and accrued expenses, respectively, in our unaudited Condensed Consolidated Balance Sheets.
- (2) Derivative assets and liabilities that have settlement dates greater than 12 months from the respective balance sheet date are included in identifiable intangible and other assets, net and other long-term liabilities, respectively, in our unaudited Condensed Consolidated Balance Sheets.

Fair Value Measurements

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering assumptions, we follow a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1 — Quoted prices for identical instruments in active markets.
- Level 2 — Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations, in which all significant inputs are observable in active markets.
- Level 3 — Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

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A summary of our derivative assets and liabilities measured at fair value on a recurring basis as of September 30, 2017 is as follows (in thousands):

	Fair Value as of September 30, 2017	Level 1	Level 2	Level 3
Asset — Commodities contracts	\$ 1,410	\$ —	\$ 1,410	\$ —
Liability — Commodities contracts	810	—	810	—

A summary of our derivative assets and liabilities measured at fair value on a recurring basis as of December 31, 2016 is as follows (in thousands):

	Fair Value as of December 31, 2016	Level 1	Level 2	Level 3
Asset — Commodities contracts	\$ 2,416	\$ —	\$ 2,416	\$ —
Liability — Commodities contracts	12	—	12	—

Due to their near-term maturities, the carrying amounts of accounts receivable and accounts payable are considered equivalent to fair value. In addition, because the interest rates on our Credit Facility, receivables securitization facility, and certain other debt are variable, their fair values approximate their carrying values.

The fair values of the 2023 Notes and subsidiary senior notes were determined based on quoted market prices obtained through an external pricing source which derives its price valuations from daily marketplace transactions, with adjustments to reflect the spreads of benchmark bonds, credit risk and certain other variables. We have determined these fair values to be Level 2 measurements as all significant inputs into the quotes provided by our pricing source are observable in active markets. The following table presents the outstanding principal amounts and fair values of the 2023 Notes and subsidiary senior notes at September 30, 2017 and December 31, 2016:

	September 30, 2017		December 31, 2016	
	Amount Outstanding	Fair Value	Amount Outstanding	Fair Value
	(In thousands)			
Dean Foods Company senior notes due 2023	\$ 700,000	\$ 710,500	\$ 700,000	\$ 736,750
Subsidiary senior notes due 2017	142,000	142,178	142,000	146,615

Additionally, we maintain a Supplemental Executive Retirement Plan (“SERP”), which is a nonqualified deferred compensation arrangement for our executive officers and other employees earning compensation in excess of the maximum compensation that can be taken into account with respect to our 401(k) plan. The SERP is designed to provide these employees with retirement benefits from us that are equivalent, as a percentage of total compensation, to the benefits provided to other employees. The assets related to the SERP are primarily invested in money market and mutual funds and are held at fair value. We classify these assets as Level 2 as fair value can be corroborated based on quoted market prices for identical or similar instruments in markets that are not active. The following table presents a summary of the SERP assets measured at fair value on a recurring basis as of September 30, 2017 (in thousands):

	Total	Level 1	Level 2	Level 3
Money market	\$ 23	\$ —	\$ 23	\$ —
Mutual funds	1,782	—	1,782	—

The following table presents a summary of the SERP assets measured at fair value on a recurring basis as of December 31, 2016 (in thousands):

	Total	Level 1	Level 2	Level 3
Money market	\$ 27	\$ —	\$ 27	\$ —
Mutual funds	1,673	—	1,673	—

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8. Common Stock and Share-Based Compensation

Our authorized shares of capital stock include one million shares of preferred stock and 250 million shares of common stock with a par value of \$0.01 per share.

Cash Dividends — In accordance with our cash dividend policy, holders of our common stock will receive dividends when and as declared by our Board of Directors. Beginning in 2015, all awards of restricted stock units, performance stock units and phantom shares provide for cash dividend equivalent units, which vest in cash at the same time as the underlying award. Quarterly dividends of \$0.09 per share were paid in March, June, and September of 2017 and 2016, totaling approximately \$24.5 million and \$24.7 million for the first nine months of 2017 and 2016, respectively. We expect to pay quarterly dividends of \$0.09 per share (\$0.36 per share annually) for the remainder of 2017. Our cash dividend policy is subject to modification, suspension or cancellation in any manner and at any time. Dividends are presented as a reduction to retained earnings in our unaudited Condensed Consolidated Statement of Stockholders' Equity unless we have an accumulated deficit as of the end of the period, in which case they are reflected as a reduction to additional paid-in capital.

Stock Repurchase Program — Since 1998, our Board of Directors has from time to time authorized the repurchase of our common stock up to an aggregate of \$2.38 billion, excluding fees and commissions. We made no share repurchases during the three and nine months ended September 30, 2017. We made no share repurchases during the three months ended September 30, 2016, and we repurchased 1,371,185 shares for \$25.0 million during the nine months ended September 30, 2016. As of September 30, 2017, \$197.1 million remained available for repurchases under this program (excluding fees and commissions). Our management is authorized to purchase shares from time to time through open market transactions at prevailing prices or in privately-negotiated transactions, subject to market conditions and other factors. Shares, when repurchased, are retired.

Restricted Stock Units — We issue restricted stock units ("RSUs") to certain senior employees and non-employee directors as part of our long-term incentive compensation program. An RSU represents the right to receive one share of common stock in the future. RSUs have no exercise price. RSUs granted to employees generally vest ratably over three years, subject to certain accelerated vesting provisions based primarily on a change of control, or in certain cases upon death or qualified disability. RSUs granted to non-employee directors vest ratably over three years.

The following table summarizes RSU activity during the nine months ended September 30, 2017:

	Employees	Non-Employee Directors	Total
RSUs outstanding at January 1, 2017	872,785	80,207	952,992
RSUs granted	420,144	45,528	465,672
Shares issued upon vesting of RSUs	(230,606)	(37,204)	(267,810)
RSUs canceled or forfeited(1)	(387,540)	(2,112)	(389,652)
RSUs outstanding at September 30, 2017	674,783	86,419	761,202
Weighted average grant date fair value	\$ 17.76	\$ 18.46	\$ 17.84

- (1) Pursuant to the terms of our plans, employees have the option of forfeiting RSUs to cover their minimum statutory tax withholding when shares are issued. Any RSUs surrendered or canceled in satisfaction of participants' tax withholding obligations are not available for future grants under the plans.

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Performance Stock Units — Beginning in 2016, performance share units ("PSUs") were granted as part of our long-term incentive compensation program. PSUs will cliff vest and be settled in shares of our common stock at the end of a three-year performance period contingent upon the achievement of specific performance goals established for each calendar year during the respective performance periods. The number of shares that may be earned at the end of the vesting period may range from zero to 200 percent of the target award amount based on the achievement of the performance goals. The fair value of PSUs is estimated using the market price of our common stock on the date of grant, and we recognize compensation expense ratably over the vesting period for the portion of the awards that are expected to vest. The following table summarizes PSU activity during the nine months ended September 30, 2017:

	PSUs	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2017	90,583	\$ 19.13
Granted	159,102	18.82
Vested	—	—
Forfeited or canceled	(113,405)	19.22
Outstanding at September 30, 2017	136,280	\$ 18.69

Phantom Shares — We grant phantom shares as part of our long-term incentive compensation program, which are similar to RSUs in that they are based on the price of our stock and vest ratably over a three-year period, but are cash-settled based upon the value of our stock at each vesting date. The fair value of the awards is remeasured at each reporting period. Compensation expense is recognized over the vesting period with a corresponding liability, which is recorded in accounts payable and accrued expenses in our unaudited Condensed Consolidated Balance Sheets. The following table summarizes the phantom share activity during the nine months ended September 30, 2017:

	Shares	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2017	1,361,062	\$ 17.78
Granted	803,006	17.65
Converted/paid	(619,489)	16.47
Forfeited	(192,002)	13.40
Outstanding at September 30, 2017	1,352,577	\$ 18.92

Stock Options — The following table summarizes stock option activity during the nine months ended September 30, 2017:

	Options	Weighted Average Exercise Price	Weighted Average Contractual Life (Years)	Aggregate Intrinsic Value
Options outstanding and exercisable at January 1, 2017	2,038,829	\$ 19.78		
Forfeited and canceled	(1,041,100)	23.75		
Exercised	(204,143)	11.13		
Options outstanding and exercisable at September 30, 2017	793,586	\$ 16.80	1.41	\$ 140,013

We recognize share-based compensation expense for stock options ratably over the vesting period. The fair value of each option award is estimated on the date of grant using a Black-Scholes valuation model. We did not grant any stock options during 2016 or 2017, nor do we currently plan to in the future. At September 30, 2017, there was no remaining unrecognized stock option expense related to unvested awards.

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Share-Based Compensation Expense — The following table summarizes the share-based compensation expense recognized during the three and nine months ended September 30, 2017 and 2016:

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
	(In thousands)			
RSUs	\$ 2,084	\$ 4,728	\$ 4,738	\$ 8,165
PSUs(1)	(1,604)	1,868	(2,155)	2,707
Phantom shares	422	2,330	4,978	9,851
Total	<u>\$ 902</u>	<u>\$ 8,926</u>	<u>\$ 7,561</u>	<u>\$ 20,723</u>

- (1) The net credit to PSU expense for the three months ended September 30, 2017 is primarily the result of lower expected performance (relative to the established performance metric) associated with the 2017 tranche of these awards. The net credit to PSU expense for the nine months ended September 30, 2017 reflects the impact of a mark-to-market adjustment with respect to PSUs granted to certain former executives which will be cash settled following the completion of the performance period based on our stock price.

9. Earnings (Loss) Per Share

Basic earnings (loss) per share ("EPS") is based on the weighted average number of common shares outstanding during each period. Diluted EPS is based on the weighted average number of common shares outstanding and the effect of all dilutive common stock equivalents outstanding during each period. Stock option and stock unit conversions were not included in the computation of diluted loss per share for the three and nine months ended September 30, 2017 as we incurred a loss from continuing operations for these periods and any effect on loss per share would have been anti-dilutive. The following table reconciles the numerators and denominators used in the computations of both basic and diluted EPS:

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
	(In thousands, except share data)			
Basic earnings (loss) per share computation:				
Numerator:				
Income (loss) from continuing operations	\$ (9,973)	\$ 14,526	\$ (2,085)	\$ 87,098
Denominator:				
Average common shares	90,939,101	90,423,466	90,844,613	91,076,741
Basic earnings (loss) per share from continuing operations	<u>\$ (0.11)</u>	<u>\$ 0.16</u>	<u>\$ (0.03)</u>	<u>\$ 0.96</u>
Diluted earnings (loss) per share computation:				
Numerator:				
Income (loss) from continuing operations	\$ (9,973)	\$ 14,526	\$ (2,085)	\$ 87,098
Denominator:				
Average common shares — basic	90,939,101	90,423,466	90,844,613	91,076,741
Stock option conversion(1)	—	225,789	—	246,096
RSUs and PSUs(2)	—	316,120	—	372,001
Average common shares — diluted	<u>90,939,101</u>	<u>90,965,375</u>	<u>90,844,613</u>	<u>91,694,838</u>
Diluted earnings (loss) per share from continuing operations	<u>\$ (0.11)</u>	<u>\$ 0.16</u>	<u>\$ (0.03)</u>	<u>\$ 0.95</u>
(1) Anti-dilutive options excluded	1,211,592	1,184,449	1,492,474	1,292,766
(2) Anti-dilutive stock units excluded	1,068,640	4,410	1,010,675	1,481

10. Accumulated Other Comprehensive Income (Loss)

The changes in accumulated other comprehensive income (loss) by component, net of tax, during the three months ended September 30, 2017 were as follows (in thousands):

	Pension and Other Postretirement Benefits Items	Foreign Currency Items	Total
Balance at June 30, 2017	\$ (81,576)	\$ (4,781)	\$ (86,357)
Other comprehensive income before reclassifications	3,276	—	3,276
Amounts reclassified from accumulated other comprehensive loss(1)	(1,649)	—	(1,649)
Net current-period other comprehensive income	1,627	—	1,627
Balance at September 30, 2017	\$ (79,949)	\$ (4,781)	\$ (84,730)

- (1) The accumulated other comprehensive loss reclassification is related to amortization of unrecognized actuarial losses and prior service costs, both of which are included in the computation of net periodic benefit cost. See Note 11.

The changes in accumulated other comprehensive income (loss) by component, net of tax, during the three months ended September 30, 2016 were as follows (in thousands):

	Pension and Other Postretirement Benefits Items	Foreign Currency Items	Total
Balance at June 30, 2016	\$ (80,244)	\$ (3,579)	\$ (83,823)
Other comprehensive income (loss) before reclassifications	2,658	(521)	2,137
Amounts reclassified from accumulated other comprehensive loss(1)	(1,464)	—	(1,464)
Net current-period other comprehensive income (loss)	1,194	(521)	673
Balance at September 30, 2016	\$ (79,050)	\$ (4,100)	\$ (83,150)

- (1) The accumulated other comprehensive loss reclassification is related to amortization of unrecognized actuarial losses and prior service costs, both of which are included in the computation of net periodic benefit cost. See Note 11.

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The changes in accumulated other comprehensive income (loss) by component, net of tax, during the nine months ended September 30, 2017 were as follows (in thousands):

	Pension and Other Postretirement Benefits Items	Foreign Currency Items	Total
Balance at December 31, 2016	\$ (84,852)	\$ (4,781)	\$ (89,633)
Other comprehensive income before reclassifications	9,845	—	9,845
Amounts reclassified from accumulated other comprehensive loss(1)	(4,942)	—	(4,942)
Net current-period other comprehensive income	4,903	—	4,903
Balance at September 30, 2017	<u>\$ (79,949)</u>	<u>\$ (4,781)</u>	<u>\$ (84,730)</u>

- (1) The accumulated other comprehensive loss reclassification is related to amortization of unrecognized actuarial losses and prior service costs, both of which are included in the computation of net periodic benefit cost. See Note 11.

The changes in accumulated other comprehensive income (loss) by component, net of tax, during the nine months ended September 30, 2016 were as follows (in thousands):

	Pension and Other Postretirement Benefits Items	Foreign Currency Items	Total
Balance at December 31, 2015	\$ (83,279)	\$ (2,524)	\$ (85,803)
Other comprehensive income (loss) before reclassifications	8,622	(1,576)	7,046
Amounts reclassified from accumulated other comprehensive loss(1)	(4,393)	—	(4,393)
Net current-period other comprehensive income (loss)	4,229	(1,576)	2,653
Balance at September 30, 2016	<u>\$ (79,050)</u>	<u>\$ (4,100)</u>	<u>\$ (83,150)</u>

- (1) The accumulated other comprehensive loss reclassification is related to amortization of unrecognized actuarial losses and prior service costs, both of which are included in the computation of net periodic benefit cost. See Note 11.

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11. Employee Retirement and Postretirement Benefits

We sponsor various defined benefit and defined contribution retirement plans, including various employee savings and profit sharing plans, and contribute to various multiemployer pension plans on behalf of our employees. All full-time union and non-union employees who have met requirements pursuant to the plans are eligible to participate in one or more of these plans.

Defined Benefit Plans — The benefits under our defined benefit plans are based on years of service and employee compensation. The following table sets forth the components of net periodic benefit cost for our defined benefit plans during the three and nine months ended September 30, 2017 and 2016:

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
(In thousands)				
Components of net periodic benefit cost:				
Service cost	\$ 752	\$ 793	\$ 2,256	\$ 2,379
Interest cost	2,927	3,043	8,781	9,129
Expected return on plan assets	(4,758)	(4,633)	(14,274)	(13,899)
Amortizations:				
Prior service cost	176	214	528	642
Unrecognized net loss	2,581	2,206	7,743	6,618
Net periodic benefit cost	<u>\$ 1,678</u>	<u>\$ 1,623</u>	<u>\$ 5,034</u>	<u>\$ 4,869</u>

On April 3, 2017, we made a discretionary contribution of \$38.5 million to our company-sponsored pension plans.

Postretirement Benefits — Certain of our subsidiaries provide health care benefits to certain retirees who are covered under specific group contracts. The following table sets forth the components of net periodic benefit cost for our postretirement benefit plans during the three and nine months ended September 30, 2017 and 2016:

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
(In thousands)				
Components of net periodic benefit cost:				
Service cost	\$ 146	\$ 160	\$ 438	\$ 480
Interest cost	240	271	720	813
Amortizations:				
Prior service cost	23	23	69	69
Unrecognized net gain	(114)	(61)	(342)	(183)
Net periodic benefit cost	<u>\$ 295</u>	<u>\$ 393</u>	<u>\$ 885</u>	<u>\$ 1,179</u>

12. Asset Impairment Charges and Facility Closing and Reorganization Costs

Asset Impairment Charges

We evaluate our finite-lived intangible and long-lived assets for impairment when circumstances indicate that the carrying value may not be recoverable. Indicators of impairment could include, among other factors, significant changes in the business environment, the planned closure of a facility, or deteriorations in operating cash flows. Considerable management judgment is necessary to evaluate the impact of operating changes and to estimate future cash flows.

Testing the assets for recoverability involves developing estimates of future cash flows directly associated with, and that are expected to arise as a direct result of, the use and eventual disposition of the assets. Other inputs are based on assessment of an individual asset's alternative use within other production facilities, evaluation of recent market data and historical liquidation sales values for similar assets. As the inputs for testing recoverability are largely based on management's judgments and are not generally observable in active markets, we consider such measurements to be Level 3 measurements in the fair value hierarchy. See Note 7.

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The results of our analysis indicated an impairment of our property, plant and equipment at three of our production facilities totaling \$25.0 million. The impairments were the result of declines in operating cash flows at these facilities on both a historical and forecasted basis. These charges were recorded during the three months ended September 30, 2017.

The results of our analysis indicated no impairment of our property, plant and equipment, outside of facility closing and reorganization costs, for the three and nine months ended September 30, 2016.

We can provide no assurance that we will not have impairment charges in future periods as a result of changes in our business environment, operating results or the assumptions and estimates utilized in our impairment tests.

Facility Closing and Reorganization Costs

Costs associated with approved plans within our ongoing network optimization strategies are summarized as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
	(In thousands)			
Closure of facilities, net(1)	\$ 3,048	\$ 9,297	\$ 10,737	\$ 9,063
Organizational Effectiveness(2)	4,796	—	12,210	—
Facility closing and reorganization costs, net	\$ 7,844	\$ 9,297	\$ 22,947	\$ 9,063

- (1) Reflects charges, net of gains on the sales of assets, associated with closed facilities that were incurred in 2017 and 2016. These charges are primarily related to facility closures in Richmond, Virginia; Orem, Utah; New Orleans, Louisiana; Rochester, Indiana; Riverside, California; Delta, Colorado; Denver, Colorado; Springfield, Virginia; Buena Park, California; and Sheboygan, Wisconsin, as well as other approved closures. We have incurred net charges to date of \$60.4 million related to these facility closures through September 30, 2017. We expect to incur additional charges related to these facility closures of approximately \$4.1 million related to shutdown, contract termination and other costs. As we continue the evaluation of our supply chain and distribution network, it is likely that we will close additional facilities in the future.
- (2) During 2017, we initiated a company-wide, multi-phase organizational effectiveness assessment to better align each key function of the Company with our strategic plan. This initiative has resulted in headcount reductions due to changes to our organizational structure, and the charges shown in the table above are primarily comprised of severance benefits and other employee-related costs associated with these organizational changes. Efforts with respect to our organizational effectiveness initiative are ongoing and we expect that we will incur additional costs in the coming months associated with the approval and implementation of additional phases of the plan; however, as specific details of these phases have not been finalized and approved, future costs are not yet estimable.

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Activity with respect to facility closing and reorganization costs during the nine months ended September 30, 2017 is summarized below and includes items expensed as incurred:

	Accrued Charges at December 31, 2016	Charges and Adjustments	Payments	Accrued Charges at September 30, 2017
(In thousands)				
Cash charges:				
Workforce reduction costs	\$ 3,610	\$ 14,034	\$ (6,949)	\$ 10,695
Shutdown costs	—	2,974	(2,974)	—
Lease obligations after shutdown	3,932	921	(1,908)	2,945
Other	—	275	(275)	—
Subtotal	<u>\$ 7,542</u>	<u>18,204</u>	<u>\$ (12,106)</u>	<u>\$ 13,640</u>
Other charges:				
Write-down of assets(1)		4,668		
Loss on sale of related assets		67		
Other, net		8		
Subtotal		<u>4,743</u>		
Total		<u>\$ 22,947</u>		

- (1) The write-down of assets relates primarily to owned buildings, land and equipment of those facilities identified for closure. The assets were tested for recoverability at the time the decision to close the facilities was more likely than not to occur. Over time, refinements to our estimates used in testing for recoverability may result in additional asset write-downs. The write-down of assets can include accelerated depreciation recorded for those facilities identified for closure. Our methodology for testing the recoverability of the assets is consistent with the methodology described in the “Asset Impairment Charges” section above.

13. Commitments and Contingencies

Contingent Obligations Related to Divested Operations — We have divested certain businesses in recent years. In each case, we have retained certain known contingent obligations related to those businesses and/or assumed an obligation to indemnify the purchasers of the businesses for certain unknown contingent liabilities, including environmental liabilities. We believe that we have established adequate reserves, which are immaterial to the financial statements, for potential liabilities and indemnifications related to our divested businesses. Moreover, we do not expect any liability that we may have for these retained liabilities, or any indemnification liability, to materially exceed amounts accrued.

Contingent Obligations Related to Milk Supply Arrangements — On December 21, 2001, in connection with our acquisition of Legacy Dean, we purchased Dairy Farmers of America’s (“DFA”) 33.8% interest in our operations. In connection with that transaction, we issued a contingent, subordinated promissory note to DFA in the original principal amount of \$40 million. The promissory note has a 20-year term that bears interest based on the consumer price index. Interest will not be paid in cash but will be added to the principal amount of the note annually, up to a maximum principal amount of \$96 million. We may prepay the note in whole or in part at any time, without penalty. The note will become payable only if we materially breach or terminate one of our related milk supply agreements with DFA without renewal or replacement. Otherwise, the note will expire in 2021, without any obligation to pay any portion of the principal or interest. Payments made under the note, if any, would be expensed as incurred. We have not terminated, and we have not materially breached, any of our milk supply agreements with DFA related to the promissory note. We have previously terminated unrelated supply agreements with respect to several plants that were supplied by DFA. In connection with our continued focus on cost control and increased supply chain efficiency, we continue to evaluate our sources of raw milk supply.

Insurance — We use a combination of insurance and self-insurance for a number of risks, including property, workers’ compensation, general liability, automobile liability, product liability and employee health care utilizing high deductibles. Deductibles vary due to insurance market conditions and risk. Liabilities associated with these risks are estimated considering historical claims experience and other actuarial assumptions. Based on current information, we believe that we have established adequate reserves to cover these claims.

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Lease and Purchase Obligations — We lease certain property, plant and equipment used in our operations under both capital and operating lease agreements. Such leases, which are primarily for machinery, equipment and vehicles, including our distribution fleet, have lease terms ranging from one to 20 years. Certain of the operating lease agreements require the payment of additional rentals for maintenance, along with additional rentals based on miles driven or units produced. Certain leases require us to guarantee a minimum value of the leased asset at the end of the lease. Our maximum exposure under those guarantees is not a material amount.

We have entered into various contracts, in the normal course of business, obligating us to purchase minimum quantities of raw materials used in our production and distribution processes, including conventional raw milk, diesel fuel, sugar and other ingredients that are inputs into our finished products. We enter into these contracts from time to time to ensure a sufficient supply of raw ingredients. In addition, we have contractual obligations to purchase various services that are part of our production process.

Litigation, Investigations and Audits — On August 9, 2007, two plaintiffs filed a putative class action antitrust complaint against Dean Foods and other milk processors in the United States District Court for the Eastern District of Tennessee. Plaintiffs alleged generally that we, either acting alone or in conjunction with others in the milk industry, lessened competition in the Southeastern United States for the sale of processed fluid Grade A milk to retail outlets and other customers. Plaintiffs further alleged that the defendants' conduct artificially inflated wholesale prices paid by direct milk purchasers. On January 25, 2016, the district court denied plaintiffs' motion for class certification. On February 8, 2016, plaintiffs filed a petition for permission to appeal the district court's order denying class certification. That petition was denied by the Sixth Circuit on June 14, 2016. Although the courts refused to certify the case as a class action, the two original plaintiffs decided to pursue their individual claims for damages. The case was scheduled for trial on March 28, 2017. Prior to trial, the plaintiffs agreed with us to settle the lawsuit. We agreed to pay settlements to the plaintiffs and the parties resolved all outstanding claims in the litigation and agreed to voluntarily dismiss the litigation. The litigation was dismissed on March 21, 2017 with respect to one plaintiff, and on March 26, 2017 with respect to the other plaintiff. We recorded a charge and a corresponding liability in connection with the settlements in the first quarter of 2017.

In addition to the legal proceeding described above, we are party from time to time to certain claims, litigations, audits and investigations. Potential liabilities associated with these other matters are not expected to have a material adverse impact on our financial position, results of operations, or cash flows.

14. Segment, Geographic and Customer Information

We operate as a single reportable segment in manufacturing, marketing, selling and distributing a wide variety of branded and private label dairy and dairy case products. We operate 65 manufacturing facilities which are geographically located largely based on local and regional customer needs and other market factors. We manufacture, market and distribute a wide variety of branded and private label dairy and dairy case products, including fluid milk, ice cream, cultured dairy products, creamers, ice cream mix and other dairy products to retailers, distributors, foodservice outlets, educational institutions and governmental entities across the United States. Our products are primarily delivered through what we believe to be one of the most extensive refrigerated DSD systems in the United States. Our Chief Executive Officer evaluates the performance of our business based on sales and operating income or loss before facility closing and reorganization costs, litigation settlements, impairments of long-lived assets, gains and losses on the sale of businesses and certain other non-recurring gains and losses.

Geographic Information — Net sales related to our foreign operations comprised less than 1% of our consolidated net sales during each of the three and nine months ended September 30, 2017 and 2016. None of our long-lived assets are associated with our foreign operations.

Significant Customers — Our largest customer accounted for approximately 17.5% and 16.5% of our consolidated net sales in the three months ended September 30, 2017 and 2016, respectively, and accounted for approximately 17.2% and 16.4% of our consolidated net sales in the nine months ended September 30, 2017 and 2016, respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statement Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q (this "Form 10-Q") contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which are subject to risks, uncertainties and assumptions that are difficult to predict. Forward-looking statements are predictions based on our current expectations and our projections about future events, and are not statements of historical fact. Forward-looking statements include statements concerning our business strategy, among other things, including anticipated trends and developments in, and management plans for, our business and the markets in which we operate. In some cases, you can identify these statements by forward-looking words, such as "estimate," "expect," "anticipate," "project," "plan," "intend," "believe," "forecast," "foresee," "likely," "may," "should," "goal," "target," "might," "will," "could," "predict," and "continue," the negative or plural of these words and other comparable terminology. All forward-looking statements included in this Form 10-Q are based upon information available to us as of the filing date of this Form 10-Q, and we undertake no obligation to update any of these forward-looking statements for any reason. You should not place undue reliance on these forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from those expressed or implied by these statements. These factors include the matters discussed in "Part I — Item 1A — Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2016 (the "2016 Annual Report on Form 10-K"), as updated herein, and elsewhere in this Form 10-Q. You should carefully consider the risks and uncertainties described under these sections.

Business Overview

We are a leading food and beverage company and the largest processor and direct-to-store distributor of fresh fluid milk and other dairy and dairy case products in the United States, with a vision to be the most admired and trusted provider of wholesome, great-tasting dairy products at every occasion. As we continue to evaluate and seek to maximize the value of our national operational network and our leading brands and product offerings, we have aligned our leadership team, operating strategy, and sales, logistics and supply chain initiatives into a single operating and reportable segment.

We manufacture, market and distribute a wide variety of branded and private label dairy and dairy case products, including fluid milk, ice cream, cultured dairy products, creamers, ice cream mix and other dairy products to retailers, distributors, foodservice outlets, educational institutions and governmental entities across the United States. Our portfolio includes *DairyPure*®, the country's first and largest fresh, white milk national brand, and *TruMoo*®, the leading national flavored milk brand, along with well-known regional dairy brands such as *Alta Dena*®, *Berkeley Farms*®, *Country Fresh*®, *Dean's*®, *Friendly's*®, *Garellick Farms*®, *LAND O LAKES*® milk and cultured products (licensed brand), *Lehigh Valley Dairy Farms*®, *Mayfield*®, *McArthur*®, *Meadow Gold*®, *Oak Farms*®, *PET*® (licensed brand), *T.G. Lee*®, *Tuscan*® and more. In all, we have more than 50 national, regional and local dairy brands as well as private labels. Additionally, with our acquisition of Uncle Matt's Organic, Inc., which was completed on June 22, 2017, we now sell and distribute organic juice, probiotic-infused juices, and fruit-infused waters under the *Uncle Matt's Organic*® brand. Dean Foods also makes and distributes ice cream, cultured products, juices, teas, and bottled water. Due to the perishable nature of our products, we deliver the majority of our products directly to our customers' locations in refrigerated trucks or trailers that we own or lease. We believe that we have one of the most extensive refrigerated direct-to-store delivery ("DSD") systems in the United States. We sell our products primarily on a local or regional basis through our local and regional sales forces, and in some instances, with the assistance of national brokers. Some national customer relationships are coordinated by our centralized corporate sales department or national brokers.

Recent Developments

Management Changes

Chris Bellairs, our former Executive Vice President and Chief Financial Officer, departed the Company effective September 1, 2017. Scott K. Vopni, the Company's Senior Vice President, Finance and Chief Accounting Officer, was appointed interim Chief Financial Officer. Mr. Bellairs will receive compensation and benefits pursuant to the Company's Amended and Restated Executive Severance Pay Plan.

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Organic Valley Fresh Joint Venture

In the third quarter of 2017, we commenced the operations of our previously announced 50/50 strategic joint venture with Cooperative Regions of Organic Producer Pools ("CROPP"), an independent farmer cooperative that distributes organic milk and other organic dairy products under the Organic Valley® brand. The joint venture, called Organic Valley Fresh, combines our processing plants and refrigerated DSD system with CROPP's portfolio of recognized brands and products, marketing expertise, and access to an organic milk supply from America's largest cooperative of organic dairy farmers to bring the Organic Valley® brand to retailers. See Note 3 to our unaudited Condensed Consolidated Financial Statements for additional information regarding our Organic Valley Fresh Joint Venture.

Uncle Matt's Organic Acquisition

On June 22, 2017, we completed the acquisition of Uncle Matt's Organic, Inc. ("Uncle Matt's"). Uncle Matt's is a leading organic juice company offering a wide range of organic juices, including probiotic-infused juices and fruit-infused waters. The total purchase price was \$22.0 million, which was funded through a combination of cash on hand and borrowings under our receivables securitization facility. Uncle Matt's results of operations have been included in our Consolidated Statements of Operations from the date of acquisition.

Investment in Good Karma

On May 4, 2017, we acquired a non-controlling interest in, and entered into a distribution agreement with, Good Karma Foods, Inc. ("Good Karma"), the leading producer of flax-based milk and yogurt products. This investment allows us to diversify our portfolio to include plant-based dairy alternatives and provides Good Karma the ability to more rapidly expand distribution across the U.S., as well as increase investments in brand building and product innovation. We do not expect our equity in the earnings of this investment to materially impact our consolidated financial statements. We are accounting for this investment under the equity method of accounting based upon our ability to exercise significant influence over the investee through our ownership interest and representation on Good Karma's board of directors.

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Results of Operations

Our key performance indicators are brand mix, achieving low cost and volume performance, which are reflected in gross profit, operating income and net sales, respectively. We evaluate our financial performance based on sales and operating profit or loss before gains and losses on the sale of businesses, facility closing and reorganization costs, asset impairment charges, litigation settlements and other nonrecurring gains and losses. The following table presents certain information concerning our financial results, including information presented as a percentage of net sales:

	Three Months Ended September 30				Nine Months Ended September 30			
	2017		2016		2017		2016	
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
(Dollars in millions)								
Net sales	\$ 1,937.6	100.0%	\$ 1,964.6	100.0%	\$ 5,860.0	100.0%	\$ 5,692.2	100.0%
Cost of sales	1,495.9	77.2	1,475.8	75.1	4,488.8	76.6	4,206.1	73.9
Gross profit(1)	441.7	22.8	488.8	24.9	1,371.2	23.4	1,486.1	26.1
Operating costs and expenses:								
Selling and distribution	332.7	17.2	341.5	17.4	1,016.0	17.3	1,005.5	17.7
General and administrative	68.8	3.6	90.8	4.6	241.4	4.1	262.6	4.6
Amortization of intangibles	5.2	0.2	5.2	0.3	15.5	0.3	15.6	0.3
Facility closing and reorganization costs, net	7.8	0.4	9.3	0.5	22.9	0.4	9.1	0.2
Impairment of long-lived assets	25.0	1.3	—	—	25.0	0.4	—	—
Total operating costs and expenses	439.5	22.7	446.8	22.7	1,320.8	22.5	1,292.8	22.7
Operating income	\$ 2.2	0.1%	\$ 42.0	2.1%	\$ 50.4	0.9%	\$ 193.3	3.4%

- (1) As disclosed in Note 1 to the Consolidated Financial Statements in our 2016 Annual Report on Form 10-K, we include certain shipping and handling costs within selling and distribution expense. As a result, our gross profit may not be comparable to other entities that present all shipping and handling costs as a component of cost of sales.

Quarter Ended September 30, 2017 Compared to Quarter Ended September 30, 2016

Net Sales — The change in net sales was due to the following:

	Three Months Ended September 30, 2017 vs. 2016
	(In millions)
Volume	\$ (130.6)
Pricing and product mix changes	103.6
Total decrease	\$ (27.0)

Net sales decreased \$27.0 million, or 1.4%, during the third quarter of 2017 as compared to the third quarter of 2016, primarily due to volume declines. In the third quarter of 2017, we experienced a total sales volume decline of 6.6% from year-ago levels. Volume declines across our fluid milk business, which accounted for approximately 76% of our total sales volume in the third quarter of 2017, represented an approximately 5.6% year-over-year decrease. Our total branded white milk volumes decreased 8.1% year-over-year and our flavored milk volumes decreased 1.9% year-over-year. Net sales decreases were partially offset by increased pricing, as a result of increases in dairy commodity costs from year-ago levels. On average, during the third quarter of 2017, the Class I price was 10.3% above prior-year levels.

We generally increase or decrease the prices of our private label fluid dairy products on a monthly basis in correlation with fluctuations in the costs of raw materials, packaging supplies and delivery costs. We manage the pricing of our branded fluid milk products on a longer-term basis, balancing consumer demand with net price realization. However, we continue to balance our product pricing with the execution of our strategy to improve net price realization and, in some cases, we are subject to the terms of our sales agreements with respect to the means and/or timing of price increases, which can negatively impact our

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profitability. The following table sets forth the average monthly Class I “mover” and its components, as well as the average monthly Class II minimum prices for raw skim milk and butterfat for the third quarter of 2017 compared to the third quarter of 2016:

	Three Months Ended September 30*		
	2017	2016	% Change
Class I mover(1)	\$ 16.67	\$ 15.11	10.3%
Class I raw skim milk mover(1)(2)	6.73	6.63	1.5
Class I butterfat mover(2)(3)	2.91	2.49	16.9
Class II raw skim milk minimum(1)(4)	7.23	6.59	9.7
Class II butterfat minimum(3)(4)	2.94	2.47	19.0

* The prices noted in this table are not the prices that we actually pay. The federal order minimum prices applicable at any given location for Class I raw skim milk or Class I butterfat are based on the Class I mover prices plus producer premiums and a location differential. Class II prices noted in the table are federal minimum prices, applicable at all locations. Our actual cost also includes procurement costs and other related charges that vary by location and supplier. Please see “Part I — Item 1. Business — Government Regulation — Milk Industry Regulation” in our 2016 Annual Report on Form 10-K and “— Known Trends and Uncertainties — Prices of Conventional Raw Milk and Other Inputs” below for a more complete description of raw milk pricing.

- (1) Prices are per hundredweight.
- (2) We process Class I raw skim milk and butterfat into fluid milk products.
- (3) Prices are per pound.
- (4) We process Class II raw skim milk and butterfat into products such as cottage cheese, creams and creamers, ice cream and sour cream.

Cost of Sales — All expenses incurred to bring a product to completion are included in cost of sales, such as raw material, ingredient and packaging costs; labor costs; and plant and equipment costs. Cost of sales increased 1.4% in the third quarter of 2017 as compared to the third quarter of 2016, primarily due to increased dairy commodity costs. The Class I price was 10.3% above prior-year levels.

Gross Profit — Our gross profit percentage decreased to 22.8% in the third quarter of 2017 as compared to 24.9% in the third quarter of 2016. This decrease was primarily due to higher input costs and overall volume declines discussed above.

Operating Costs and Expenses — Operating costs and expenses decreased \$7.2 million, or 1.6%, in the third quarter of 2017 as compared to the third quarter of 2016. Significant changes to operating costs and expenses in the third quarter of 2017 as compared to the third quarter of 2016 include the following:

- Selling and distribution costs decreased by \$8.8 million during the third quarter of 2017 primarily due to lower salaries and wages associated with decreased headcount and decreased advertising costs, partially offset by higher freight costs compared to the prior period.
- General and administrative costs decreased by \$22.0 million during the third quarter of 2017 primarily due to lower incentive compensation and lower legal expenses compared to the prior period.
- Facility closing and reorganization costs decreased by \$1.5 million during the third quarter of 2017. See Note 12 to our unaudited Condensed Consolidated Financial Statements.
- We recorded impairment charges to our long-lived assets of \$25.0 million during the third quarter of 2017. There were no impairment charges during the third quarter of 2016. See Note 12 to our unaudited Condensed Consolidated Financial Statements.

Other (Income) Expense — Other expense increased \$0.5 million during the third quarter of 2017 as compared to the third quarter of 2016. This increase in expense was primarily due to lower foreign currency exchange gains in the third quarter of 2017 as compared to the prior period.

Income Taxes — Income tax benefit was recorded at an effective rate of 26.9% for the third quarter of 2017 compared to a 45.4% effective tax rate for the third quarter of 2016. Generally, our effective tax rate varies primarily based on our profitability level and the relative earnings of our business units. In the third quarter of 2017, our effective tax rate was impacted by the recognition of excess tax deficiencies related to share-based payments recorded in the provision for income taxes. Excluding the \$1.4 million of excess tax deficiencies recorded, our effective tax rate for the third quarter of 2017 was 37.0%.

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Nine Months Ended September 30, 2017 Compared to Nine Months Ended September 30, 2016

Net Sales — The change in net sales was due to the following:

	Nine Months Ended September 30, 2017 vs. 2016	
	(In millions)	
Volume	\$	(236.9)
Pricing and product mix changes		330.6
Acquisitions		74.1
Total increase	\$	167.8

Net sales increased \$167.8 million, or 2.9%, during the first nine months of 2017 as compared to the first nine months of 2016, primarily due to increased pricing, as a result of increases in dairy commodity costs from year-ago levels. On average, during the first nine months of 2017, the Class I price was 14.2% above prior-year levels. Additionally, volumes associated with the Friendly's acquisition contributed \$129.7 million to net sales in the first nine months of 2017 as compared to \$55.6 million in the first nine months of 2016. The Friendly's acquisition closed on June 20, 2016 and net sales in the first nine months of 2016 reflect 103 days of Friendly's operations. Net sales increases were partially offset by a 3.5% total sales volume decline from year-ago levels. Volume declines across our fluid milk business, which accounted for approximately 77% of our total sales volume in first nine months of 2017, represented an approximately 3.6% year-over-year decrease. Our total branded white milk volumes decreased 6.1% year-over-year. These decreases were partially offset by a 1.4% year-over-year increase in our flavored milk volumes.

The following table sets forth the average monthly Class I “mover” and its components, as well as the average monthly Class II minimum prices for raw skim milk and butterfat for the first nine months of 2017 in comparison to the first nine months of 2016:

	Nine Months Ended September 30*		
	2017	2016	% Change
Class I mover(1)	\$ 16.41	\$ 14.37	14.2%
Class I raw skim milk mover(1)(2)	7.65	6.07	26.0
Class I butterfat mover(2)(3)	2.58	2.43	6.2
Class II raw skim milk minimum(1)(4)	7.34	6.20	18.4
Class II butterfat minimum(3)(4)	2.64	2.36	11.9

* The prices noted in this table are not the prices that we actually pay. The federal order minimum prices applicable at any given location for Class I raw skim milk or Class I butterfat are based on the Class I mover prices plus producer premiums and a location differential. Class II prices noted in the table are federal minimum prices, applicable at all locations. Our actual cost also includes procurement costs and other related charges that vary by location and supplier. Please see “Part I — Item 1. Business — Government Regulation — Milk Industry Regulation” in our 2016 Annual Report on Form 10-K and “— Known Trends and Uncertainties — Prices of Conventional Raw Milk and Other Inputs” below for a more complete description of raw milk pricing.

- (1) Prices are per hundredweight.
- (2) We process Class I raw skim milk and butterfat into fluid milk products.
- (3) Prices are per pound.
- (4) We process Class II raw skim milk and butterfat into products such as cottage cheese, creams and creamers, ice cream and sour cream.

Cost of Sales — Cost of sales increased 6.7% in the first nine months of 2017 as compared to the first nine months of 2016, primarily due to increased dairy commodity costs. The Class I price was 14.2% above prior-year levels.

Gross Profit — Our gross profit percentage decreased to 23.4% for the first nine months of 2017 as compared to 26.1% for the first nine months of 2016. This decrease was primarily due to higher input costs and overall volume declines discussed above.

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Operating Costs and Expenses — Operating costs and expenses increased \$28.1 million, or 2.2%, in the first nine months of 2017 as compared to the first nine months of 2016. Significant changes to operating costs and expenses in the first nine months of 2017 as compared to the first nine months of 2016 include the following:

- Selling and distribution costs increased by \$10.5 million during the first nine months of 2017 primarily due to higher freight, insurance, and external commissions costs, partially offset by decreased incentive compensation and advertising costs.
- General and administrative costs decreased by \$21.2 million in the first nine months of 2017 in comparison to the prior period. General and administrative costs in the first nine months of 2016 of \$262.6 million included severance charges of \$10.1 million related to the announcement of our CEO succession plan and acquisition-related expenses of \$4.4 million related to the June 2016 acquisition of Friendly's. General and administrative costs of \$241.4 million in the first nine months of 2017 were impacted by lower incentive compensation in comparison to the prior year. These decreases were partially offset by litigation settlements reached in the first quarter of 2017 and the related legal expenses.
- Facility closing and reorganization costs increased by \$13.9 million during the first nine months of 2017 primarily due to costs associated with the implementation of our organizational structure change and asset write-downs and other charges associated with announced facilities closures. See Note 12 to our unaudited Condensed Consolidated Financial Statements.
- We recorded impairment charges to our long-lived assets of \$25.0 million during the first nine months of 2017. There were no impairment charges during the first nine months of 2016. See Note 12 to our unaudited Condensed Consolidated Financial Statements.

Other (Income) Expense — Other expense increased \$2.1 million during the first nine months of 2017 as compared to the first nine months of 2016. This increase in expense was primarily due to lower foreign currency exchange gains in the first nine months of 2017 as compared to the prior period.

Income Taxes — Income tax expense was recorded at an effective rate of 189.0% for the first nine months of 2017 compared to a 40.9% effective tax rate for the first nine months of 2016. Generally, our effective tax rate varies primarily based on our profitability level and the relative earnings of our business units. In the first nine months of 2017, our effective tax rate was impacted by state law changes and the adoption of Accounting Standards Update ("ASU") 2016-09 which requires excess tax benefits and tax deficiencies related to share-based payments to be recorded in the provision for income taxes. Excluding the \$0.8 million of tax expense related to state law changes and \$2.7 million of tax expense recorded because of the adoption of ASU 2016-09, our effective tax rate for the first nine months of 2017 was 39.3%.

Liquidity and Capital Resources

We believe that our cash on hand coupled with future cash flows from operations and other available sources of liquidity, including our \$450 million senior secured revolving credit facility and our \$450 million receivables securitization facility, together will provide sufficient liquidity to allow us to meet our cash requirements for at least the next twelve months. Our anticipated uses of cash for the remainder of 2017 include capital expenditures; working capital; debt repayment; financial obligations, including tax payments; dividend payments; and certain other costs that may be necessary to execute our strategic initiatives and invest to grow our business. We are also authorized to repurchase shares of our common stock pursuant to a stock repurchase program authorized by our Board of Directors. Additionally, on an ongoing basis, we evaluate and consider strategic acquisitions, divestitures, joint ventures, or other transactions to create shareholder value and enhance financial performance. However, we may, from time to time, raise additional funds through borrowings or public or private sales of debt or equity securities. The amount, nature and timing of any borrowings or sales of debt or equity securities will depend on our operating performance and other circumstances; our then-current commitments and obligations; the amount, nature and timing of our capital requirements; any limitations imposed by our current credit arrangements; and overall market conditions.

As of September 30, 2017, we had total cash on hand of \$24.3 million, of which \$12.1 million was attributable to our foreign operations. We are evaluating strategies and alternatives with respect to the cash attributable to our foreign operations.

At September 30, 2017, we had \$952.7 million of long-term debt obligations, excluding unamortized discounts and debt issuance costs of \$6.2 million, and \$682.5 million of combined available future borrowing capacity under our senior secured revolving credit facility and receivables securitization facility, subject to compliance with the covenants in our credit agreements. Based on our current expectations, we believe our liquidity and capital resources will be sufficient to operate our business.

Cash Dividends — In accordance with our cash dividend policy, holders of our common stock will receive dividends when and as declared by our Board of Directors. Beginning in 2015, all awards of restricted stock units, performance stock units and phantom shares provide for cash dividend equivalent units, which vest in cash at the same time as the underlying award.

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Quarterly dividends of \$0.09 per share were paid in March, June, and September of 2017 and 2016, totaling approximately \$24.5 million and \$24.7 million for the first nine months of 2017 and 2016, respectively. We expect to pay quarterly dividends of \$0.09 per share (\$0.36 per share annually) for the remainder of 2017. Our cash dividend policy is subject to modification, suspension or cancellation in any manner and at any time. Dividends are presented as a reduction to retained earnings in our unaudited Condensed Consolidated Statement of Stockholders' Equity unless we have an accumulated deficit as of the end of the period, in which case they are reflected as a reduction to additional paid-in capital. See Note 8 to our unaudited Condensed Consolidated Financial Statements.

Senior Secured Revolving Credit Facility — We have a credit agreement (as amended, the "Credit Agreement") pursuant to which the lenders have provided us with a senior secured revolving credit facility in the amount of up to \$450 million (the "Credit Facility") with a maturity date of January 4, 2022. Under the Credit Agreement, we have the right to request an increase of the aggregate commitments under the Credit Facility by up to \$200 million, which we may request to be made available as either term loans or revolving loans, without the consent of any lenders not participating in such increase, subject to specified conditions. The Credit Facility is available for the issuance of up to \$75 million of letters of credit and up to \$100 million of swing line loans.

Loans outstanding under the Credit Facility will bear interest, at our option, at either (i) the LIBO Rate (as defined in the Credit Agreement) plus a margin of between 1.75% and 2.50% (2.00% as of September 30, 2017) based on our total net leverage ratio (as defined in the Credit Agreement), or (ii) the Alternate Base Rate (as defined in the Credit Agreement) plus a margin of between 0.75% and 1.50% (1.00% as of September 30, 2017) based on our total net leverage ratio.

We may make optional prepayments of loans under the Credit Facility, in whole or in part, without premium or penalty (other than applicable breakage costs). Subject to certain exceptions and conditions described in the Credit Agreement, we will be obligated to prepay the Credit Facility, but without a corresponding commitment reduction, with the net cash proceeds of certain asset sales and with casualty insurance proceeds. The Credit Facility is guaranteed by our existing and future domestic material restricted subsidiaries (as defined in the Credit Agreement), which are substantially all of our wholly-owned U.S. subsidiaries other than the receivables securitization facility subsidiaries (the "Guarantors").

The Credit Facility is secured by a first priority perfected security interest in substantially all of our assets and the assets of the Guarantors, whether consisting of personal, tangible or intangible property, including a pledge of, and a perfected security interest in, (i) all of the shares of capital stock of the Guarantors and (ii) 65% of the shares of capital stock of our and the Guarantors' first-tier foreign subsidiaries that are material restricted subsidiaries, in each case subject to certain exceptions as set forth in the Credit Agreement. The collateral does not include, among other things, (a) any of our real property, (b) the capital stock and any assets of any unrestricted subsidiary, (c) any capital stock of any direct or indirect subsidiary of Dean Holding Company ("Legacy Dean"), a wholly owned subsidiary of the Company, which owns any real property, or (d) receivables sold pursuant to the receivables securitization facility.

The Credit Agreement contains customary representations, warranties and covenants, including, but not limited to specified restrictions on indebtedness, liens, guarantee obligations, mergers, acquisitions, consolidations, liquidations and dissolutions, sales of assets, leases, payment of dividends and other restricted payments during a default or non-compliance with the financial covenants, investments, loans and advances, transactions with affiliates and sale and leaseback transactions. The Credit Agreement also contains customary events of default and related cure provisions. We are required to comply with (i) a maximum total net leverage ratio of 4.25x (which, for purposes of calculating indebtedness, excludes borrowings under our receivables securitization facility); and (ii) a minimum consolidated interest coverage ratio of 2.25x. In addition, the Credit Agreement imposes certain restrictions on our ability to pay dividends and make other restricted payments if our total net leverage ratio (including borrowings under our receivables securitization facility) is in excess of 3.50x.

At September 30, 2017, we had outstanding borrowings of \$12.8 million under the Credit Facility. Our average daily balance under the Credit Facility during the nine months ended September 30, 2017 was \$2.1 million. There were no letters of credit issued under the Credit Facility as of September 30, 2017.

Dean Foods Receivables Securitization Facility — We have an amended and restated receivables purchase agreement (as amended), which provides us with a \$450 million receivables securitization facility pursuant to which certain of our subsidiaries sell their accounts receivable to two wholly-owned entities intended to be bankruptcy-remote. The entities then transfer the receivables to third-party asset-backed commercial paper conduits sponsored by major financial institutions. The assets and liabilities of these two entities are fully reflected in our unaudited Condensed Consolidated Balance Sheets, and the securitization is treated as a borrowing for accounting purposes.

The receivables securitization facility has a liquidity termination date of January 4, 2020 and bears interest at a variable rate based upon commercial paper and one-month LIBO rates plus an applicable margin based on our net leverage ratio. The receivables purchase agreement contains covenants consistent with those in the Credit Agreement. Advances outstanding

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under the receivables securitization facility will bear interest between 0.90% and 1.05%, and the Company will pay an unused fee between 0.40% and 0.55% on undrawn amounts, in each case based on the Company's total net leverage ratio.

Based on the monthly borrowing base formula, we had the ability to borrow up to the full \$450.0 million commitment amount under the receivables securitization facility as of September 30, 2017. The total amount of receivables sold to these entities as of September 30, 2017 was \$633.7 million. During the first nine months of 2017, we borrowed \$1.7 billion and repaid \$1.6 billion under the facility with a remaining balance of \$95.0 million as of September 30, 2017. In addition to letters of credit in the aggregate amount of \$109.7 million that were issued but undrawn, the remaining available borrowing capacity was \$245.3 million at September 30, 2017. Our average daily balance under this facility during the nine months ended September 30, 2017 was \$48.1 million.

At November 3, 2017, we had \$195.0 million of outstanding borrowings under the Credit Facility and the receivables securitization facility, excluding letters of credit in the aggregate amount of \$109.7 million that were issued but undrawn.

Covenant Compliance — As of September 30, 2017, we were in compliance with all covenants under our credit agreements. The following describes our financial covenants pursuant to our current credit agreements.

The Credit Agreement and the purchase agreement governing our receivables securitization facility require us to maintain a total net leverage ratio less than 4.25x as of the end of each fiscal quarter. In addition, the Credit Agreement imposes certain restrictions on our ability to pay dividends and make other restricted payments if our total net leverage ratio (including borrowings under our receivables securitization facility) exceeds 3.5x. As described in more detail in our Credit Agreement and the purchase agreement governing our receivables securitization facility, the total net leverage ratio is calculated as the ratio of consolidated funded indebtedness, less cash up to \$50 million to the extent held by us and our restricted subsidiaries, to consolidated EBITDA for the period of four consecutive fiscal quarters ended on the measurement date. Consolidated funded indebtedness excludes borrowings under our receivables securitization facility and is calculated on a pro forma basis to give effect to permitted acquisitions, divestitures or refinancing of indebtedness.

Consolidated EBITDA is comprised of net income for us and our restricted subsidiaries plus interest expense, taxes, depreciation and amortization expense and other non-cash expenses, certain pro forma cost savings add-backs in connection with permitted acquisitions and dispositions, and certain other add-backs for non-recurring charges and other adjustments permitted in calculating covenant compliance under the Credit Agreement, and is calculated on a pro forma basis.

The Credit Agreement and the purchase agreement governing our receivables securitization facility require us to maintain an interest coverage ratio of at least 2.25x as of the end of each fiscal quarter. As described in more detail in the Credit Agreement and the purchase agreement governing our receivables securitization facility, our interest coverage ratio is calculated as the ratio of consolidated EBITDA to consolidated interest expense for the period of four consecutive fiscal quarters ended on the measurement date. Consolidated EBITDA is calculated as described above in the discussion of our leverage ratio. Consolidated interest expense is comprised of consolidated interest expense paid or payable in cash by us and our restricted subsidiaries, as calculated in accordance with generally accepted accounting principles, but excluding write-offs or amortization of deferred financing fees and amounts paid on early termination of swap agreements, calculated on a pro forma basis.

Dean Foods Company Senior Notes due 2023 — On February 25, 2015, we issued \$700 million in aggregate principal amount of 6.50% senior notes due 2023 (the "2023 Notes") at an issue price of 100% of the principal amount of the 2023 Notes in a private placement for resale to "qualified institutional buyers" as defined in Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and in offshore transactions pursuant to Regulation S under the Securities Act.

In connection with the issuance of the 2023 Notes, we paid certain arrangement fees of approximately \$7.0 million to initial purchasers and other fees of approximately \$1.8 million, which were deferred and netted against the outstanding debt balance, and will be amortized to interest expense over the remaining term of the 2023 Notes.

The 2023 Notes are our senior unsecured obligations. Accordingly, the 2023 Notes rank equally in right of payment with all of our existing and future senior obligations and are effectively subordinated in right of payment to all of our existing and future secured obligations, including obligations under our Credit Facility and receivables securitization facility, to the extent of the value of the collateral securing such obligations. The 2023 Notes are fully and unconditionally guaranteed on a senior unsecured basis, jointly and severally, by our subsidiaries that guarantee obligations under the Credit Facility.

The 2023 Notes will mature on March 15, 2023 and bear interest at an annual rate of 6.50%. Interest on the 2023 Notes is payable semi-annually in arrears in March and September of each year.

We may, at our option, redeem all or a portion of the 2023 Notes at any time on or after March 15, 2018 at the applicable redemption prices specified in the indenture governing the 2023 Notes (the "Indenture"), plus any accrued and unpaid

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interest to, but excluding, the applicable redemption date. We are also entitled to redeem up to 40% of the aggregate principal amount of the 2023 Notes before March 15, 2018 with the net cash proceeds that we receive from certain equity offerings at a redemption price equal to 106.5% of the principal amount of the 2023 Notes, plus accrued and unpaid interest, if any, to, but excluding, the applicable redemption date. In addition, prior to March 15, 2018, we may redeem all or a portion of the 2023 Notes, at a redemption price equal to 100% of the principal amount thereof, plus a “make-whole” premium and accrued and unpaid interest, if any, to, but excluding, the applicable redemption date.

If we undergo certain kinds of changes of control, holders of the 2023 Notes have the right to require us to repurchase all or any portion of such holder’s 2023 Notes at 101% of the principal amount of the notes being repurchased, plus any accrued and unpaid interest to, but excluding, the date of repurchase.

The Indenture contains covenants that, among other things, limit our ability to: (i) create certain liens; (ii) enter into sale and lease-back transactions; (iii) assume, incur or guarantee indebtedness for borrowed money that is secured by a lien on certain principal properties (or on any shares of capital stock of our subsidiaries that own such principal properties) without securing the 2023 Notes on a pari passu basis; and (iv) consolidate with or merge with or into, or sell, transfer, convey or lease all or substantially all of our properties and assets, taken as a whole, to another person.

The carrying value under the 2023 Notes at September 30, 2017 was \$694.1 million, net of unamortized debt issuance costs of \$5.9 million.

Subsidiary Senior Notes due 2017 — Legacy Dean had \$142 million aggregate principal amount of senior notes, which matured on October 15, 2017. The carrying value under these notes at September 30, 2017 was \$141.8 million, net of unamortized discounts of \$0.2 million, at 6.90% interest. On October 16, 2017 we repaid in full the \$142 million outstanding aggregate principal amount of the senior notes, plus remaining accrued and unpaid interest of \$4.9 million, with borrowings from our receivables securitization facility.

Historical Cash Flow

The following table summarizes our cash flows from operating, investing and financing activities:

	Nine Months Ended September 30		
	2017	2016	Change
	(In thousands)		
Net cash flows from continuing operations:			
Operating activities	\$ 66,725	\$ 184,618	\$ (117,893)
Investing activities	(90,868)	(224,884)	134,016
Financing activities	30,511	9,044	21,467
Effect of exchange rate changes on cash and cash equivalents	—	(1,354)	1,354
Net increase (decrease) in cash and cash equivalents	<u>\$ 6,368</u>	<u>\$ (32,576)</u>	<u>\$ 38,944</u>

Operating Activities

Net cash provided by operating activities decreased by \$117.9 million in the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016. The decrease was primarily attributable to lower operating income and a discretionary pension contribution of \$38.5 million to our company-sponsored pension plans in the first nine months of 2017. Additionally, operating cash flows in the nine months ended September 30, 2017 were negatively impacted by an increased working capital investment, which was primarily driven by a longer cash conversion cycle in comparison to the prior period.

Investing Activities

Net cash used in investing activities decreased by \$134.0 million in the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016. This decrease was primarily attributable to \$157.3 million of cash paid for the Friendly’s acquisition during second quarter of 2016, as compared to the purchase price, net of cash acquired, of \$21.6 million paid for the Uncle Matt’s acquisition, which closed in the second quarter of 2017. This decrease was partially offset by other investments of \$11.0 million made during the nine months ended September 30, 2017.

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Financing Activities

Net cash provided by financing activities increased by \$21.5 million in the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016. This increase was primarily attributable to share repurchase activity under our stock repurchase program. There were no share repurchases made in the first nine months of 2017 in comparison to \$25.0 million of share repurchases made in the first nine months of 2016.

Contractual Obligations

As of September 30, 2017, there were no material changes outside the ordinary course of business to our contractual obligations as reported in our 2016 Annual Report on Form 10-K, except as reflected in the table below:

	Payments Due by Period						
	Total	2017	2018	2019	2020	2021	Thereafter
	(in millions)						
Receivables securitization facility(1)	\$ 95.0	\$ —	\$ —	\$ —	\$ 95.0	\$ —	\$ —
Credit Facility(1)	12.8	—	—	—	—	—	12.8
Interest payments(2)	329.0	61.0	52.1	52.1	47.8	47.7	68.3
Total	<u>\$ 436.8</u>	<u>\$ 61.0</u>	<u>\$ 52.1</u>	<u>\$ 52.1</u>	<u>\$ 142.8</u>	<u>\$ 47.7</u>	<u>\$ 81.1</u>

(1) Represents amounts outstanding under our receivables securitization facility and Credit Facility at September 30, 2017. On January 4, 2017, we amended our receivables purchase agreement to extend the maturity date to January 4, 2020, and we amended our Credit Agreement to extend the maturity date to January 4, 2022. See Note 6 to our unaudited Condensed Consolidated Financial Statements for additional information regarding the January 4, 2017 amendments to the receivables purchase agreement and the Credit Agreement.

(2) Includes fixed rate interest obligations and interest on variable rate debt based on the outstanding balances and interest rates in effect at September 30, 2017. Interest that may be due in the future on variable rate borrowings under the Credit Facility and receivables securitization facility will vary based on the interest rate in effect at the time and the borrowings outstanding at the time. On January 4, 2017, we amended the purchase agreement governing the receivables securitization facility to modify certain pricing terms such that advances outstanding under the receivables securitization facility will bear interest between 0.90% and 1.05%, and the Company will pay an unused fee between 0.40% and 0.55% on undrawn amounts, in each case based on the Company's total net leverage ratio. On January 4, 2017, we amended the Credit Agreement to modify the definition of "Applicable Rate" to reduce the interest rate margins such that loans outstanding under the Credit Facility will bear interest, at our option, at either (x) the LIBO Rate (as defined in the Credit Agreement) plus a margin of between 1.75% and 2.50% based on our total net leverage ratio, or (y) the Alternate Base Rate (as defined in the Credit Agreement) plus a margin of between 0.75% and 1.50% based on our total net leverage ratio. See Note 6 to our unaudited Condensed Consolidated Financial Statements for additional information regarding the January 4, 2017 amendments to the receivables purchase agreement and the Credit Agreement.

Other Long-Term Liabilities

We offer pension benefits through various defined benefit pension plans and also offer certain health care and life insurance benefits to eligible employees and their eligible dependents upon the retirement of such employees. Reported costs of providing non-contributory defined pension benefits and other postretirement benefits are dependent upon numerous factors, assumptions and estimates. For example, these costs are impacted by actual employee demographics (including age, compensation levels and employment periods), the level of contributions made to the plan and earnings on plan assets. Pension and postretirement costs also may be significantly affected by changes in key actuarial assumptions, including anticipated rates of return on plan assets and the discount rates used in determining the projected benefit obligation and annual periodic pension costs.

On April 3, 2017, we made a discretionary contribution of \$38.5 million to our company-sponsored pension plans.

Other Commitments and Contingencies

In 2001, in connection with our acquisition of Legacy Dean, we purchased Dairy Farmers of America's ("DFA") 33.8% interest in our operations. In connection with that transaction, we issued a contingent, subordinated promissory note to DFA in the original principal amount of \$40 million. The promissory note has a 20-year term and bears interest based on the consumer price index. Interest will not be paid in cash but will be added to the principal amount of the note annually, up to a maximum principal amount of \$96 million. We may prepay the note in whole or in part at any time, without penalty. The note will

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become payable only if we materially breach or terminate one of our related milk supply agreements with DFA without renewal or replacement. Otherwise, the note will expire in 2021, without any obligation to pay any portion of the principal or interest. Payments made under the note, if any, would be expensed as incurred. We have not terminated, and we have not materially breached, any of our related milk supply agreements with DFA related to the promissory note. We have previously terminated unrelated supply agreements with respect to several plants that were supplied by DFA. In connection with our goals of cost control and supply chain efficiency, we continue to evaluate our sources of raw milk supply.

We also have the following commitments and contingent liabilities, in addition to contingent liabilities related to ordinary course litigation, investigations and audits:

- certain indemnification obligations related to businesses that we have divested;
- certain lease obligations, which require us to guarantee the minimum value of the leased asset at the end of the lease;
- selected levels of property and casualty risks, primarily related to employee health care, workers' compensation claims and other casualty losses; and
- certain litigation-related contingencies.

See Note 13 to our unaudited Condensed Consolidated Financial Statements.

Future Capital Requirements

During 2017, we intend to invest a total of approximately \$105 million to \$115 million in capital expenditures, primarily for our existing manufacturing facilities and in support of our strategic initiatives. For 2017, we expect cash interest to be approximately \$60 million based upon current debt levels and projected forward interest rates under our Credit Facility and receivables securitization facility. Cash interest excludes amortization of deferred financing fees and bond discounts of approximately \$5 million.

On an ongoing basis, we evaluate and consider strategic acquisitions, divestitures, joint ventures, or other transactions to create shareholder value and enhance financial performance. We have also instituted a cash dividend policy and may repurchase shares of our common stock.

Known Trends and Uncertainties

Competitive Environment and Volume Performance

The fluid milk industry remains highly competitive, and we are currently navigating a number of challenging dynamics across our channel, customer, and product mix. Volume softness continues to weigh on the broader food category, and although retailers continue to invest in private label milk, they are seeing declines in private label volume growth despite a retailer margin over milk that contracted to a historic low in September of 2017. We also continue to face pricing pressures from industry consolidation, large-format and vertical retailers, discounters, and dairy cooperatives and other processors. These factors have created a challenging environment for our company's volume performance.

In the third quarter of 2017, our total sales volumes declined 6.6% from year-ago levels. Our total branded white milk volumes, which include *DairyPure*® and our other brands, decreased 8.1% year-over-year driven predominantly by volume reductions in the drug store channel, consistent with the overall category in that channel. Our third quarter ice cream volumes declined 6.2% on a year-over-year basis, versus an approximately 2% decline in category. Our ice cream volume performance fell short of our expectations, due to a combination of the overall category decline, consumer trends towards premium products and an internal reduction in promotional activities.

We believe the overall retail landscape continues to be challenging, with several factors beyond our control continuing to impact our earnings progression. The downward trend in fluid milk category sales has continued during the first nine months of 2017. Fluid milk sales data published by the USDA through August 2017 shows a quarter-to-date fluid milk category sales volume decline of 2.2% on a year-over-year basis. As a result of our volume performance, our share of the fluid milk category decreased by 50 basis points in the third quarter of 2017 versus the second quarter of 2017.

In consideration of the factors described above, we expect total fourth quarter 2017 volume declines on a year-over-year basis to be comparable to the year-over-year volume declines experienced in the third quarter of 2017.

We believe that maintaining a competitive cost structure is crucial to the ongoing success of our organization, particularly in view of the competitive environment and volume pressures we are currently facing. During the first nine months

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of 2017, we re-engineered our commercial function, with a focus on increasing the effectiveness and efficiency of our sales force, and we identified savings related to our general and administrative expenses. We have built implementation plans for these work streams and are currently in the execution phase. In total, we are targeting \$40 million to \$50 million of annual cost savings with respect to our selling, general and administrative expenses. We believe that we are on track to deliver these savings, with the majority of the benefit estimated to be realized in 2018. In addition, we are in the preliminary phases of partnering with a leading consulting firm to develop a comprehensive, integrated, enterprise-wide cost productivity initiative to reset our cost structure which we expect to deliver significant cost savings to our business.

While we remain committed to our cost productivity agenda, inflation, soft volumes, the continued shift to private label and competitive pricing pressures have negated, and will likely continue to negate, some of the impact of our ongoing cost saving efforts. Depending on the extent of the decline in our financial results and our financial and cash flow projections, we may incur tangible or intangible asset impairment charges in future periods.

Additionally, in March 2016, Wal-Mart Stores, Inc. announced that it plans to build a dairy processing plant in Indiana to supply certain Wal-Mart and Sam's Club stores located in the Midwest. Dialogue with Wal-Mart is ongoing, and we have received preliminary information from Wal-Mart regarding the timing and phasing of the transfer of volume into the plant. We are using this data to establish time frames around our network optimization plans. We expect to lose approximately 90 million to 95 million gallons of private label fluid milk volume in 2018 and 2019, and we are actively taking steps to optimize our network to mitigate the impact of volume losses in the affected region when they occur. However, given the volume degradation we have experienced this year, which is expected to continue through the balance of 2017, we may be unable to sufficiently reduce our costs in time to mitigate the negative financial impact of the Wal-Mart volume loss in 2018. As previously disclosed, we expect to continue to supply Wal-Mart's private label milk for other Wal-Mart stores across the United States pursuant to our existing agreements.

Conventional Raw Milk and Other Inputs

Conventional Raw Milk and Butterfat — The primary raw materials used in the products we manufacture, distribute and sell are conventional milk (which contains both raw milk and butterfat) and bulk cream. On a monthly basis, the federal government and certain state governments set minimum prices for raw milk. The regulated minimum prices differ based on how the raw milk is utilized. Raw milk processed into fluid milk is priced at the Class I price and raw milk processed into products such as cottage cheese, creams and creamers, ice cream and sour cream is priced at the Class II price. Generally, we pay the federal minimum prices for raw milk, plus certain producer premiums (or "over-order" premiums) and location differentials. We also incur other raw milk procurement costs in some locations (such as hauling and field personnel). A change in the federal minimum price does not necessarily mean an identical change in our total raw milk costs as over-order premiums may increase or decrease. This relationship is different in every region of the country and can sometimes differ within a region based on supplier arrangements. However, in general, the overall change in our raw milk costs can be linked to the change in federal minimum prices. Because our Class II products typically have a higher fat content than that contained in raw milk, we also purchase bulk cream for use in some of our Class II products. Bulk cream is typically purchased based on a multiple of the Grade AA butter price on the Chicago Mercantile Exchange.

Prices for conventional raw milk in the third quarter of 2017 were approximately 10% higher than year-ago levels and increased approximately 7% sequentially from the second quarter of 2017. We expect raw milk costs to remain relatively flat on a sequential basis in the fourth quarter of 2017 (an approximately 2% increase year-over-year). Given the multitude of factors that influence the dairy commodity environment, we acknowledge the potential for future volatility.

Fuel, Freight and Resin Costs — We purchase diesel fuel to operate our extensive DSD system, and we incur fuel surcharge expense related to the products we deliver through third-party carriers. Although we may utilize forward purchase contracts and other instruments to mitigate the risks related to commodity price fluctuations, such strategies do not fully mitigate commodity price risk. Adverse movements in commodity prices over the terms of the contracts or instruments could decrease the economic benefits we derive from these strategies. Another significant raw material we use is resin, which is a fossil fuel-based product used to make plastic bottles. The prices of diesel and resin are subject to fluctuations based on changes in crude oil and natural gas prices.

With respect to the recent hurricanes in Florida and Texas, we incurred incremental logistics costs in the third quarter of 2017 to transport our products over longer distances from other production facilities within our network to continue serving our customers. Additionally as a result of the overall resin shortage within the industry, we also experienced cost increases consistent with the overall market. We expect the increase in fuel, freight and resin costs to continue at least for the remainder of 2017.

Tax Rate

Income tax expense was recorded at an effective rate of 189.0% in the first nine months of 2017 compared to a 40.9% effective tax rate in the first nine months of 2016. Our effective tax rate has increased in the first nine months of 2017 as a result

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of lower earnings during this period and the adoption of ASU 2016-09 as described in Note 1 to our unaudited Condensed Consolidated Financial Statements. Changes in our profitability levels and the relative earnings of our business units, as well as changes to federal, state, and foreign tax laws, may cause our tax rate to change from historical rates.

See the risk factors described in “Part I — Item 1A — Risk Factors” in our 2016 Annual Report on Form 10-K and elsewhere in this Form 10-Q for a description of various other risks and uncertainties concerning our business.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in our quantitative and qualitative disclosures about market risk as set forth in our 2016 Annual Report on Form 10-K.

Item 4. Controls and Procedures

Controls Evaluation and Related Certifications

We conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (“Exchange Act”), referred to herein as “Disclosure Controls”) as of the end of the period covered by this quarterly report. The controls evaluation was performed under the supervision and with the participation of management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”). Based upon our most recent controls evaluation, our CEO and CFO have concluded that our Disclosure Controls were effective as of September 30, 2017.

Changes in Internal Control over Financial Reporting

During the period covered by this quarterly report, there have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II — Other Information

Item 1A. Risk Factors

There have been no material changes in the Company's risk factors from those set forth in our 2016 Annual Report on Form 10-K, except as follows:

We may be adversely impacted by a changing customer landscape.

Many of our customers, such as supermarkets, warehouse clubs and food distributors, have experienced industry consolidation in recent years and this consolidation is expected to continue. These consolidations have produced large, more sophisticated customers with increased buying power and negotiating strength, who may seek lower prices or more favorable terms, and they have increased our dependence on key large-format retailers and discount supermarket chains. In addition, some of these customers are vertically integrated and have re-dedicated key shelf-space currently occupied by our branded products for their private label products. We are also facing downward pricing pressure from retailers who sell their own private label products and proprietary brands, such as discount supermarket chains. In addition to the competitive pressures from retail customers, we are facing increased competition from dairy cooperatives and other processors.

The highly competitive retail fluid milk and broader grocery industries are facing additional future uncertainties as a result of the rise of discount supermarket chains and Amazon.com, Inc.'s acquisition of Whole Foods Market. Discount supermarket chains such as Aldi, which has announced a large expansion of its stores in the U.S., and Lidl, which recently entered the U.S. market, create competitive pressure on retailers to lower prices. These developments may trigger significant changes in pricing competition, and the grocery industry, as well as consumer buying patterns, the effects and timing of which are currently unknown.

Higher levels of price competition and higher resistance to price increases have had a significant impact on our business. If we are unable to respond to these customer dynamics and potential future changes in the customer landscape, our business or financial results could be adversely affected.

The continuing industry shift from branded to private label products could impede our growth rate and profit margin.

We are experiencing a continued shift from branded to private label products. Private label competitors are generally able to sell their products at lower prices because private label products typically have lower marketing costs than their branded competitors. Retailers have invested and may continue to invest in private label milk to drive foot traffic, which has been increasing the price gap between branded and private label milk. Despite recent retailer margin over milk at historic lows, private label volume growth has been declining. These factors have impacted and could continue to impact our volume and mix, which could adversely affect our profitability and growth.

Further, in periods of economic weakness, consumers tend to purchase lower-priced products, including conventional milk, coffee creamers and other private label products, which could reduce sales of our branded products. In addition, in periods of economic disparity and income inequality, certain of our customers may purchase lower-priced products as well as make purchases less frequently. The willingness of consumers to purchase our products will depend upon our ability to offer products providing the right consumer benefits at the right price. Further trade down to lower priced products could adversely affect our sales and the profit margin for our branded products.

This industry shift to private label could be accelerated by the expansion of Aldi and the entry of Lidl in the U.S. market. If our products fail to compete successfully with other branded or private label offerings in the industry, demand for our products and our sales volumes and profits margins could be negatively impacted.

Litigation could expose us to significant liabilities and may have a material adverse impact on our reputation and business.

Scrutiny of the dairy industry has resulted, and may continue to result, in litigation against us. Such lawsuits are expensive to defend, divert management's attention and may result in significant judgments or settlements. In some cases, these awards would be trebled by statute and successful plaintiffs are entitled to an award of attorneys' fees. Depending on its size, such a judgment or settlement could materially and adversely affect our results of operations, cash flows and financial condition and impair our ability to continue operations. We may not be able to pay such judgment or to post a bond for an appeal, given our financial condition and our available cash resources. In addition, depending on its size, failure to pay such a judgment or failure to post an appeal bond could cause us to breach certain provisions of our credit facilities. In either of these or other circumstances, we may seek a waiver or amendment to the terms of our credit facilities, but we may not be able to obtain such a waiver or amendment. Failure to obtain such a waiver or amendment would materially and adversely affect our results of operations, cash

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flows and financial condition and could impair our ability to continue operations. Moreover, such litigation could expose us to negative publicity, which could adversely affect our brands, reputation and/or customer preference for our products.

We were previously a party to a private antitrust lawsuit brought by two plaintiffs that was scheduled for trial beginning March 28, 2017. Prior to trial, the plaintiffs agreed with us to settle the lawsuit. We agreed to pay settlements to the plaintiffs and the parties resolved all outstanding claims in the litigation and agreed to voluntarily dismiss the litigation. The litigation was dismissed on March 21, 2017 with respect to one plaintiff, and on March 26, 2017 with respect to the other plaintiff. The two plaintiffs initiated the case in 2007 as a putative class action. Although the court refused to certify the case as a class action, the court's denial of class certification did not act as an adjudication on the merits for the class of purchasers the named plaintiffs proposed to represent. Therefore, we may be subject to subsequent litigation by such purchasers.

Item 5. Other Information

Amendment and Restatement of Executive Severance Pay Plan

On November 8, 2017, the Board of Directors approved an amendment and restatement of the Dean Foods Amended and Restated Executive Severance Pay Plan (the "Executive Severance Plan") to close eligibility to new participants in the plan on and after November 1, 2017. The Executive Severance Plan is filed as Exhibit 10.2 to this Form 10-Q and incorporated herein by reference.

Amended and Restated Bylaws

On November 8, 2017, the Board of Directors of the Company approved amendments to the Company's Amended and Restated Bylaws. The amendments reflect certain administrative changes to Sections 2(a) and 5 to remove references to a classified board of directors, which was phased out in 2015. The Amended and Restated Bylaws, effective November 8, 2017, is filed as Exhibit 3.1 to this Form 10-Q and incorporated herein by reference.

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Item 6. Exhibits

3.1	Amended and Restated Bylaws (filed herewith).
10.1	Letter Agreement, dated June 9, 2017, between Dean Foods Company and David Bernard (filed herewith).
10.2	Dean Foods Company Amended and Restated Executive Severance Pay Plan (filed herewith).
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
99	Supplemental Financial Information for Dean Holding Company (filed herewith).

101.INS XBRL Instance Document(1).

101.SCH XBRL Taxonomy Extension Schema Document(1).

101.CAL XBRL Taxonomy Calculation Linkbase Document(1).

101.DEF XBRL Taxonomy Extension Definition Linkbase Document(1).

101.LAB XBRL Taxonomy Label Linkbase Document(1).

101.PRE XBRL Taxonomy Presentation Linkbase Document(1).

(1) Filed electronically herewith.

SIGNATURES

Pursuant to the requirement of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DEAN FOODS COMPANY

/s/ SCOTT K. VOPNI

Scott K. Vopni

**Senior Vice President – Finance, Chief
Accounting Officer and Interim Chief
Financial Officer**

November 8, 2017

**AMENDED AND RESTATED
BYLAWS
OF
DEAN FOODS COMPANY
Effective November 8, 2017**

ARTICLE I

Offices

Section 1. Registered Office. The registered office of the corporation shall be established and maintained at 1209 Orange Street, Wilmington, Delaware 19801.

Section 2. Other Offices. The corporation may also have offices at such other places, both within and without the State of Delaware, as the Board of Directors may from time to time determine or as the business of the corporation may require.

ARTICLE II

Meetings of Stockholders

Section 1. Place of Meetings. Meetings of stockholders may be held at such time and place, if any, within or without the State of Delaware, as shall be determined by the Board of Directors and stated in the notice of the meeting.

Section 2. Annual Meetings. An annual meeting of stockholders shall be held on such day in each fiscal year of the corporation and at such time and place, if any, as may be fixed by the Board of Directors, at which meeting the stockholders shall (i) elect directors and (ii) transact such other business as may properly be brought before the meeting. The Board of Directors may postpone, reschedule or cancel any annual meeting of stockholders.

Section 3. Notice of Annual Meeting; Stockholder Proposal Notice Provisions.

(a) Notice of the annual meeting, stating the place, if any, day and hour thereof, shall be given to each stockholder entitled to vote thereat at such address as appears on the books of the corporation, not less than ten days nor more than sixty days before the date of the meeting, unless otherwise provided by law, the certificate of incorporation or these bylaws. At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be: (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors or any committee thereof, (ii) otherwise properly brought before the meeting by or at the direction of the Board of Directors or any committee thereof, or (iii) otherwise properly brought before the meeting by a stockholder of the corporation who was a stockholder of record of the corporation at the time the notice provided for in this Section 3 is delivered to the corporation, who is entitled to vote at the meeting and who complies with the notice provisions set forth in this Section 3.

(b) For business to be properly brought before an annual meeting by a stockholder (other than the nomination of a person for election as a director, which is governed by Article III, Section 6 of these bylaws) pursuant to this Section 3, the stockholder must have given timely notice thereof in writing to the Secretary of the corporation and such business must otherwise be a proper matter for action by the stockholders. To be timely, a stockholder's notice shall set forth all information required under this Section 3 and shall be delivered to the Secretary at the principal executive office of the corporation not earlier than the 120th day nor later than 5:00 P.M., Central Time, on the 90th day prior to the first anniversary of the date of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced or delayed by more than 30 days from the first anniversary of the date of the preceding year's annual meeting, notice by the stockholder must be delivered not earlier than the 120th day prior to the date of such annual meeting and not later than 5:00 P.M., Central Time, on the later of the 90th day prior to the date of such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made by the corporation. In no event shall the public announcement of a postponement of the mailing of the notice for such annual meeting or of an adjournment or postponement of an annual meeting to a later date or time commence a new time period for the giving of a stockholder's notice as described above. For purposes of these bylaws, "public announcement" shall mean the date disclosure of the date of the meeting of stockholders is first made in a press release reported by a national news service, or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act").

(c) A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting: (i) a brief description of the business desired to be brought before the annual meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the bylaws of the corporation, the language of the proposed amendment), and the reasons for conducting such business at the annual meeting; (ii) the name and address of the stockholder and any beneficial owner on whose behalf such proposal is made; (iii) the class and series and number of shares of the corporation which are owned by the stockholder (beneficially and of record) and any beneficial owner on whose behalf such proposal is made as of the date of the stockholder's notice, and a representation that the stockholder and beneficial owner on whose behalf such proposal is made, if any, will notify the corporation in writing of the class and series and number of such shares owned of record and beneficially as of the record date for determining stockholders entitled to vote at the meeting promptly following the later of the record date for determining stockholders entitled to vote at the meeting or the date notice of such record date is first publicly disclosed; (iv) any material interest of the stockholder or beneficial owner on whose behalf such proposal is made, if any, in such business; (v) a description of any agreement, arrangement or understanding with respect to such business between or among the stockholder and any of its affiliates or associates or any beneficial owner on whose behalf such proposal is made, and any others (including their names) acting in concert with any of the foregoing, and a representation that the stockholder and beneficial owner on whose behalf such proposal is made, if any, will notify the corporation in writing of any such agreement, arrangement or understanding in effect as of the record date for determining stockholders entitled to vote at the meeting promptly following the later of the record date for determining stockholders entitled to vote at the meeting or the date notice of such record date is first publicly disclosed; (vi) a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, warrants, convertible securities, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of the stockholder's notice by, or on behalf of, the stockholder or beneficial owner on whose behalf such proposal is made or any of their affiliates or associates, whether or not such instrument or right shall be subject to settlement in underlying shares of capital stock of the corporation, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of the stockholder or any of its affiliates or associates or beneficial owner on whose behalf such proposal is made, if any, with respect to shares of stock of the corporation, and a representation that the stockholder or beneficial owner on whose behalf such proposal is made, if any, will notify the corporation in writing of any such agreement, arrangement or understanding in effect as of the record date for determining stockholders entitled to vote at the meeting promptly following the later of the record date for determining stockholders entitled to vote at the meeting or the date notice of such record date is first publicly disclosed; (vii) a representation that the stockholder or beneficial owner on whose behalf such proposal is made, if any, is a holder of record or beneficial owner of shares of the corporation entitled to vote at the annual meeting and shall remain such through the meeting date, and intends to appear in person or by proxy at the meeting to propose such business; (viii) a representation whether the stockholder or the beneficial owner on whose behalf such proposal is made, if any, intends or is part of a group which intends (a) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the corporation's outstanding capital stock required to approve or adopt the proposal and/or (b) otherwise to solicit proxies or votes from stockholders in support of such proposal; and (ix) any other information relating to such stockholder and beneficial owner on whose behalf such proposal is made, if any, required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the proposal pursuant to and in accordance with Section 14(a) of the Exchange Act and the rules and regulations promulgated thereunder.

(d) Notwithstanding the foregoing, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 3. Nothing in this section shall be deemed to affect any right of a stockholder to request inclusion of proposals in, nor the right of the corporation to omit a proposal from, the corporation's proxy statement pursuant to Rule 14a-8 (or any successor provision) under the Exchange Act, and the provisions set forth in this section are separate from and in addition to Rule 14a-8 or any other rules governing stockholder proposals set forth in the Exchange Act. The foregoing notice requirements of this Section 3 shall be deemed satisfied by a stockholder with respect to business other than a nomination if the stockholder has notified the corporation of his, her or its intention to present a proposal at an annual meeting in compliance with the applicable rules and regulations promulgated under the Exchange Act and such stockholder's proposal has been included in a proxy statement that has been prepared by the corporation to solicit proxies for such annual meeting.

(e) If the Chairman of the meeting determines that business was not properly brought before the meeting in accordance with the provisions of this Section 3, he or she shall declare such business as not properly brought before the meeting and such business shall not be transacted.

(f) Notwithstanding the foregoing provisions of this Section 3, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual meeting of stockholders of the corporation to present business, such business shall not be considered, notwithstanding that proxies in respect of such vote may have been received by the

corporation. For purposes of this Section 3, to be considered a qualified representative of the stockholder, a person must be authorized by a written instrument executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as a proxy at the meeting of stockholders and such person must produce such written instrument or electronic transmission, or a reliable reproduction of the written instrument or electronic transmission, at the meeting of stockholders.

Section 4. Special Meetings. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or the certificate of incorporation, may be called only by the Chief Executive Officer, and shall be called by the Chief Executive Officer or the Secretary at the request in writing of a majority of the Board of Directors. The Board of Directors may postpone, reschedule or cancel any special meeting of stockholders.

Section 5. Notice of Special Meetings. Notice of a special meeting of stockholders, stating the place, if any, day and hour and purpose or purposes thereof, shall be given to each stockholder entitled to vote thereat at such address as appears on the books of the corporation, not less than ten days nor more than sixty days before the date of the meeting, unless otherwise provided by law, the certificate of incorporation or these bylaws.

Section 6. Business at Special Meetings. Business transacted at all special meetings of stockholders shall be confined to the purpose or purposes stated in the notice thereof.

Section 7. Stockholder List. The officer who has charge of the stock ledger shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting (provided, however, if the record date for determining the stockholders entitled to vote is less than ten days before the date of the meeting, the list shall reflect the stockholders entitled to vote as of the tenth day before the meeting date), arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting at least ten days prior to the meeting (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of meeting or (ii) during ordinary business hours at the principal place of business of the corporation. If the meeting is to be held at a place, then a list of stockholders entitled to vote at the meeting shall be produced and kept at the time and place of the meeting during the whole time thereof and may be examined by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting. Except as otherwise provided by law, the stock ledger shall be the only evidence as to who are the stockholders entitled to examine the list of stockholders required by this Section 7 or to vote in person or by proxy at any meeting of stockholders.

Section 8. Quorum and Adjournment. The holders of a majority of the votes attributed to the shares of capital stock issued and outstanding and entitled to vote thereat shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute, the certificate of incorporation or these bylaws. A holder of a share shall be treated as being present at a stockholders' meeting if the holder of such share is present in person at the meeting or represented at the meeting by a valid proxy, regardless of whether the instrument granting such proxy is marked as casting a vote or abstaining, or is left blank. The chairman of the meeting may adjourn the meeting despite the absence of a quorum. Any meeting of stockholders, annual or special, may adjourn from time to time to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty days, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. If after the adjournment a new record date for determination of stockholders entitled to vote is fixed for the adjourned meeting, the Board of Directors shall fix as the record date for determining stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote at the adjourned meeting, and shall give notice of the adjourned meeting to each stockholder of record as of the record date so fixed for notice of such adjourned meeting.

Section 9. Required Vote. When a quorum is present at any meeting, the vote of the holders of a majority of the shares having voting power represented in person or by proxy and entitled to vote on the matter shall decide such matter brought before such meeting other than elections of directors or any other matter upon which a different vote is required by the express provision of any statute, the certificate of incorporation of the corporation, these bylaws, the rules or regulations of any stock exchange applicable to the corporation, or applicable law or pursuant to any regulation applicable to the corporation or its securities, in which event such express provision shall govern and control the decision of such question. Except as otherwise provided by these bylaws, each director shall be elected by the vote of the majority of the votes cast with respect to that director's election at any meeting for the election of directors at which a

quorum is present, provided that if, as of the 10th day preceding the date the corporation first mails its notice of meeting for such meeting to the stockholders of the corporation, the number of nominees exceeds the number of directors to be elected (a "Contested Election"), the directors shall be elected by the vote of a plurality of the votes cast. For purposes of this Section 9, a majority of votes cast shall mean that the number of votes cast "for" a director's election exceeds the number of votes cast "against" that director's election (with "abstentions" and "broker nonvotes" not counted as votes cast either "for" or "against" any director's election). Shares voted on a matter or matters by a broker with no power to vote such shares with respect to that matter or matters will be deemed to be shares not having voting power with respect to that matter or matters only.

Section 10. Proxies.

(a) Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for him by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period.

(b) Without limiting the manner in which a stockholder may authorize another person or persons to act for him as proxy pursuant to subsection (a) of this Section, the following shall constitute a valid means by which a stockholder may grant such authority:

(i) A stockholder may execute a writing authorizing another person or persons to act for him as proxy. Execution may be accomplished by the stockholder or his authorized officer, director, employee or agent signing such writing or causing his signature to be affixed to such writing by any reasonable means including, but not limited to, by facsimile signature.

(ii) A stockholder may authorize another person or persons to act for him as proxy by transmitting or authorizing the transmission of a telegram, cablegram, or other means of electronic transmission to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization or like agent duly authorized by the person who will be the holder of the proxy to receive such transmission, provided that any such telegram, cablegram or other means of electronic transmission must either set forth or be submitted with information from which it can be determined that the telegram, cablegram or other electronic transmission was authorized by the stockholder. If it is determined that such telegrams, cablegrams or other electronic transmissions are valid, the inspectors or, if there are no inspectors, such other persons making that determination shall specify the information upon which they relied.

(c) Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to subsection (b) of this Section may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission.

Section 11. Voting. Unless otherwise provided by statute or the certificate of incorporation, each stockholder shall have one vote for each share of stock having voting power, registered in his name on the books of the corporation.

Section 12. Inspectors.

(a) The corporation shall, in advance of any meeting of stockholders, appoint one or more inspectors to act at the meeting and make a written report thereof. The corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the chairman of the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his ability.

(b) The inspectors shall (i) ascertain the number of shares outstanding and the voting power of each, (ii) determine the shares represented at a meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (v) certify their determination of the number of shares represented at the meeting, and their count of all votes and ballots. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of the duties of the inspectors.

(c) The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting. No ballot, proxies or votes, nor any revocations thereof or changes thereto, shall be accepted by the inspectors after the closing of the polls unless the Delaware Court of Chancery, upon application by a stockholder, shall determine otherwise.

(d) In determining the validity and counting of proxies and ballots, the inspectors shall be limited to an examination of the proxies, any envelopes submitted with those proxies, any information provided in accordance with Sections 211(e),

212(c)(2) or 211(a)(2)b.(i) or (iii) of the General Corporation Law of the State of Delaware, ballots and the regular books and records of the corporation, except that the inspectors may consider other reliable information for the limited purpose of reconciling proxies and ballots submitted by or on behalf of banks, brokers, their nominees or similar persons that represent more votes than the holder of a proxy is authorized by the record owner to cast, or more votes than the stockholder holds of record. If the inspectors consider other reliable information for the limited purpose permitted herein, the inspectors at the time they make their certification pursuant to subsection (b)(v) of this Section shall specify the precise information considered by them including the person or persons from whom they obtained the information, when the information was obtained, the means by which the information was obtained and the basis for the inspector's belief that such information is accurate and reliable.

Section 13. Conduct of Meetings. The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting by the person presiding over the meeting. The Board of Directors may adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the person presiding over any meeting of stockholders shall have the right and authority to convene and (for any or no reason) to recess and/or adjourn the meeting, to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such presiding person, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the presiding person of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders entitled to vote at the meeting, their duly authorized and constituted proxies or such other persons as the presiding person of the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. The presiding person at any meeting of stockholders, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall, if the facts warrant, determine and declare to the meeting that a matter or business was not properly brought before the meeting and if such presiding person should so determine, such presiding person shall so declare to the meeting and any such matter or business not properly brought before the meeting shall not be transacted or considered. Unless and to the extent determined by the Board of Directors or the person presiding over the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

ARTICLE III

Board of Directors

Section 1. Powers. The business and affairs of the corporation shall be managed by or under the direction of the Board of Directors. The Board of Directors may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or the certificate of incorporation directed or required to be exercised or done by the stockholders.

Section 2. Number of Directors. The number of directors shall be fixed from time to time by resolution of the Board of Directors. In case of any increase in the number of directors in advance of an annual meeting of stockholders, each additional director shall be appointed by the directors then in office, although less than a quorum, to hold office until the next election of the class for which such director shall have been appointed, or until his successor shall have been duly elected and qualified or until his earlier resignation or removal. No decrease in the number of directors shall shorten the term of any incumbent director.

Section 3. Election and Term. Except as provided in Section 4 of this Article III, directors shall be elected at each annual meeting of stockholders and shall serve for a term of one year or until his or her successor is duly elected and qualified, subject to such director's earlier death, resignation, disqualification or removal. Directors need not be stockholders of the corporation.

Section 4. Vacancies and Newly Created Directorships. If the office of any director or directors becomes vacant by reason of death, resignation, retirement, disqualification, removal from office, or otherwise, or the number of directors constituting the whole Board of Directors shall be increased, a majority of the remaining or existing directors, though less than a quorum, may appoint a successor or successors, or the director or directors to fill the new directorship or directorships, who shall hold office for the unexpired term in respect to which such vacancy occurred or, in the case of a new directorship or directorships, until the next annual meeting of the stockholders at which members of the director's class are elected or until his or her successor is duly elected and qualified or the earlier of his or her resignation or removal.

Section 5. Removal. Any director may be removed, either with or without cause, at any time, by vote of the holders of a

majority in voting power of the outstanding shares of capital stock of the corporation.

Section 6. Nominations for Directors.

(a) Nominations for election to the Board of Directors of the corporation at a meeting of the stockholders may be made by the Board of Directors, or on behalf of the Board of Directors by a Nominating or Governance Committee appointed by the Board of Directors, or by any stockholder of record of the corporation who was a stockholder of the corporation at the time the notice provided for in this Section 6 is delivered to the corporation, who is entitled to vote for the election of directors at such meeting and who complies with the notice procedures set forth in this Section 6.

(b) Any stockholder entitled to vote for the election of a director at a stockholder meeting may nominate one or more persons for such election only if timely written notice of such stockholder's intent to make such nomination is delivered to or mailed and received by the Secretary of the corporation. To be timely, a stockholder's notice shall set forth all information required under this Section 6 and shall be delivered to the Secretary at the principal executive office of the corporation (i) in the case of an annual meeting, not earlier than the 120th day nor later than 5:00 P.M., Central Time, on the 90th day prior to the first anniversary of the date of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced or delayed by more than 30 days from the first anniversary of the date of the preceding year's annual meeting, notice by the stockholder must be delivered not earlier than the 120th day prior to the date of such annual meeting and not later than 5:00 P.M., Central Time, on the later of the 90th day prior to the date of such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made by the corporation; or (ii) in the case of a special meeting at which the Board of Directors gives notice that directors are to be elected, not earlier than the 120th day prior to the date of such special meeting and not later than the close of business on the later of the 90th day prior to the date of such special meeting or, if the first public announcement of the date such special meeting is less than 100 days prior to the date of such special meeting, the tenth day following the day on which public announcement of the date of the meeting and of the nominees proposed by the Board of Directors to be elected at such meeting is first made. In no event shall the public announcement of a postponement of the mailing of the notice for such meeting or of an adjournment or postponement of any meeting to a later date or time commence a new time period for the giving of a stockholder's notice as described above.

(c) The written notice of the stockholder intending to make the nomination shall set forth the following information with respect to the nominee: (i) the name, age, business address and residence address of each nominee proposed in such notice; (ii) the principal occupation or employment of each such nominee; (iii) the number of shares of capital stock of the corporation which are owned of record and beneficially by each such nominee; (iv) such other information concerning each such nominee as would be required to be disclosed in a proxy statement soliciting proxies for the election of such nominee as a director in an election contest (even if an election contest is not involved), or that is otherwise required to be disclosed, under the rules of the Exchange Act; and (v) such person's written consent to being named in the proxy statement as a nominee and to serve as a director if elected. The corporation may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the corporation.

(d) The written notice of the stockholder intending to make the nomination shall set forth the following information with respect to the stockholder: (i) the name and address of the stockholder and any beneficial owner on whose behalf such nomination is made as they appear on the corporation's books; (ii) the class and series and number of shares of the corporation which are owned by the stockholder (beneficially and of record) and any beneficial owner on whose behalf such nomination is made, and a representation that the stockholder and beneficial owner on whose behalf such nomination is made will notify the corporation in writing of the class and series and number of such shares owned of record and beneficially as of the record date for determining stockholders entitled to vote at the meeting promptly following the later of the record date for determining stockholders entitled to vote at the meeting or the date notice of such record date is first publicly disclosed; (iii) a description of any agreement, arrangement or understanding with respect to such nomination between or among the stockholder and any of its affiliates or associates or beneficial owner on whose behalf such nomination is made, if any, or the nominee, and any others (including their names) acting in concert with any of the foregoing, and a representation that the stockholder and beneficial owner on whose behalf such nomination is made, if any, will notify the corporation in writing of any such agreement, arrangement or understanding in effect as of the record date for determining stockholders entitled to vote at the meeting promptly following the later of the record date for determining stockholders entitled to vote at the meeting or the date notice of such record date is first publicly disclosed; (iv) a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, warrants, convertible securities, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of the stockholder's notice by, or on behalf of, the stockholder or beneficial owner on whose behalf such nomination is made or any of their affiliates or associates, whether or not such instrument or right shall be subject to settlement in underlying shares of capital stock of the corporation, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease

the voting power of the stockholder or any of its affiliates or associates or beneficial owner on whose behalf such nomination is made, if any, with respect to shares of stock of the corporation, and a representation that the stockholder or beneficial owner on whose behalf such nomination is made, if any, will notify the corporation in writing of any such agreement, arrangement or understanding in effect as of the record date for determining stockholders entitled to vote at the meeting promptly following the later of the record date for determining stockholders entitled to vote at the meeting or the date notice of such record date is first publicly disclosed; (v) a representation that the stockholder or beneficial owner on whose behalf such nomination is made, if any, is a holder of record or beneficial owner of shares of the corporation entitled to vote at the meeting and shall remain such through the meeting date, and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (vi) a representation whether the stockholder or the beneficial owner on whose behalf such nomination is made, if any, intends or is part of a group which intends (a) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the corporation's outstanding capital stock required to elect the nominee and/or (b) otherwise to solicit proxies or votes from stockholders in support of such nomination; and (vii) any other information relating to such stockholder and beneficial owner on whose behalf such nomination is made, if any, required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the election of directors in an election contest pursuant to and in accordance with Section 14(a) of the Exchange Act and the rules and regulations promulgated thereunder.

(e) No person shall be eligible for election as a director of the corporation unless nominated in accordance with the procedures set forth in this Section 6.

(f) Notwithstanding the foregoing, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 6. Nothing in this section shall be deemed to affect any right of a stockholder to request inclusion of proposals in, nor the right of the corporation to omit a proposal from, the corporation's proxy statement pursuant to Rule 14a-8 (or any successor provision) under the Exchange Act, and the provisions set forth in this section are separate from and in addition to Rule 14a-8 or any other rules set forth in the Exchange Act.

(g) If the Chairman of the meeting declares that a nomination of any candidate for election as a director was not made in accordance with this Section 6, such nomination shall be disregarded.

(h) Notwithstanding the foregoing provisions of this Section 6, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the corporation to present a nomination, such nomination shall be disregarded, notwithstanding that proxies in respect of such vote may have been received by the corporation. For purposes of this Section 6, to be considered a qualified representative of the stockholder, a person must be authorized by a written instrument executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such written instrument or electronic transmission, or a reliable reproduction of the written instrument or electronic transmission, at the meeting of stockholders.

ARTICLE IV

Meetings of the Board

Section 1. First Meeting. The first meeting of each newly elected Board of Directors shall be held at the location of and immediately following the annual meeting of stockholders, and no notice of such meeting shall be necessary to the newly elected directors in order legally to constitute the meeting, provided a quorum shall be present; or the Board of Directors may meet at such place, if any, and time as shall be fixed by resolution of the Board of Directors. All meetings of the Board of Directors may be held at such place, if any, either within or without the State of Delaware, as from time to time shall be determined by the Board of Directors.

Section 2. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place, if any, and on such notice, if any, as shall be determined from time to time by the Board of Directors.

Section 3. Special Meetings. Special meetings of the Board of Directors may be called by the President or the Chairman of the Board on twenty-four hours' notice to each director, delivered either personally or by mail or by telegram, telecopier or other means of electronic transmission. Special meetings shall be called by the President or the Secretary in like manner and on like notice on the written request of one director.

Section 4. Quorum and Voting. At all meetings of the Board of Directors, a majority of the directors at the time in office (provided that such directors do not constitute less than one-third of the whole Board) shall be necessary and sufficient to constitute a quorum for the transaction of business; and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by

statute, the certificate of incorporation or these bylaws. If a quorum shall not be present at any meeting of directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 5. Telephone Meetings. Directors may participate in any meeting of the Board of Directors or any committee thereof by conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and all members so participating shall be deemed present at the meeting for all purposes including the determination of whether a quorum is present.

Section 6. Action by Written Consent. Any action required or permitted to be taken by the Board of Directors or any committee thereof, under the applicable provisions of any statute, the certificate of incorporation, or these bylaws, may be taken without a meeting if all members of the Board of Directors or committee, as the case may be, consent thereto in writing or by electronic transmission and the writing or writings or electronic transmissions are filed with the minutes of proceedings of the Board or committee in accordance with applicable law.

ARTICLE V

Committees

Section 1. Executive Committee. The Board of Directors, by resolution adopted by the Board, may designate one or more directors to constitute an Executive Committee, which Committee, to the extent provided in such resolution, shall have and may exercise all of the authority of the Board of Directors in the business and affairs of the corporation except where action by the Board of Directors is expressly required by statute. The Executive Committee shall keep regular minutes of its proceedings and report the same to the Board of Directors when required.

Section 2. Other Committees. The Board of Directors may similarly create other committees for such terms and with such powers and duties as the Board deems appropriate. Any committee may authorize the seal of the corporation to be affixed to all papers which may require it.

Section 3. Committee Rules; Quorum. Each committee may adopt rules governing the method of calling and time and place of holding its meetings. Unless otherwise provided by resolution of the Board of Directors, a majority of any committee shall constitute a quorum for the transaction of business, and the act of a majority of the members of such committee present at a meeting at which a quorum is present shall be the act of such committee.

Section 4. Alternate Members. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of the committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he, she or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member.

ARTICLE VI

Compensation of Directors

The Board of Directors shall have authority to determine, from time to time, the amount of compensation, if any, which shall be paid to its members for their services as directors and as members of committees. The Board of Directors shall also have power in its discretion to provide for and to pay to directors rendering services to the corporation not ordinarily rendered by directors as such, special compensation appropriate to the value of such services as determined by the Board from time to time. Nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity and receiving compensation therefor.

ARTICLE VII

Notices

Section 1. Methods of Notice. Whenever any notice is required to be given to any stockholder, director or committee member under the provisions of any statute, the certificate of incorporation or these bylaws, such notice shall be delivered personally or shall be given in writing by mail addressed to such stockholder, director or committee member at such address as appears on the books of the corporation, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail with postage thereon prepaid. Without limiting the manner by which notice otherwise may be given effectively to stockholders, and except as prohibited by applicable law, any notice to stockholder given by the corporation under any provision of applicable law, the certificate of incorporation or these

bylaws shall be effective if given by a single written notice to stockholder who share an address if consented to by the stockholders at that address to whom such notice is given. Any such consent shall be revocable by the stockholder by written notice to the corporation. Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders given by the corporation under applicable law, the certificate of incorporation or these bylaws shall be effective if given by a form of electronic transmission consented to by the stockholder to whom the notice is given. Any such consent shall be revocable by the stockholder by written notice to the corporation. Notice to directors and committee members may also be given by electronic transmission and shall be deemed to be given: (1) if by facsimile telecommunication, when directed to a number at which the director has consented to receive notice; (2) if by electronic mail, when directed to an electronic mail address at which the director has consented to receive notice; and (3) if by any other form of electronic transmission, when directed to the director.

Section 2. Waiver of Notice. Whenever any notice is required to be given to any stockholder, director or committee member under the provisions of any statute, the certificate of incorporation or these bylaws, notice may be waived by a written waiver of notice, signed by the person entitled to notice, or a waiver by electronic transmission by the person entitled to notice, whether executed or transmitted before or after the meeting by the person entitled to notice, and filed with the records of the meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance at any meeting shall constitute a waiver of notice thereof except as otherwise provided by statute. Neither the business to be transacted at nor the purpose of any meeting of stockholders, directors or members of a committee of directors need be specified in a waiver of notice.

ARTICLE VIII

Officers

Section 1. Executive Officers. The executive officers of the corporation shall consist of at least a President, or Chief Executive Officer, and a Secretary, each of whom shall be elected by the Board of Directors. The Board of Directors may also elect as officers of the corporation a Chairman of the Board, one or more Vice Presidents, one or more of whom may be designated Executive or Senior Vice Presidents and may also have such descriptive titles as the Board shall deem appropriate, and a Treasurer. Any two or more offices may be held by the same person.

Section 2. Election and Qualification. The Board of Directors at its first meeting after each annual meeting of stockholders shall elect the officers of the corporation.

Section 3. Other Officers and Agents. The Board of Directors may elect or appoint Assistant Vice Presidents, Assistant Secretaries and Assistant Treasurers, and such other officers and agents as it shall deem necessary, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

Section 4. Salaries. The salaries of all officers of the corporation shall be fixed by the Board of Directors except as otherwise directed by the Board.

Section 5. Term, Removal and Vacancies. The officers of the corporation shall hold office until their successors are elected and qualified. Any officer or agent of the corporation may be removed at any time by the affirmative vote of a majority of the Board of Directors. Any vacancy occurring in any office of the corporation may be filled by the Board of Directors or otherwise as provided in this Article.

Section 6. Execution of Instruments. The Chairman of the Board and the President (and such other officers as are authorized thereunto by resolution of the Board of Directors) may execute in the name of the corporation bonds, notes, debentures and other evidences of indebtedness, stock certificates, deeds, mortgages, deeds of trust, indentures, contracts, leases, agreements and other instruments, requiring a seal under the seal of the corporation, and may execute such documents not requiring a seal, except where such documents are required by law to be otherwise signed and executed, and except where the signing and execution thereof shall be exclusively delegated to some other officer or agent of the corporation.

Section 7. Duties of Officers. The duties and powers of the officers of the corporation shall be as provided in these bylaws, or as provided for pursuant to these bylaws, or (except to the extent inconsistent with these bylaws or with any provision made pursuant hereto) shall be those customarily exercised by corporate officers holding such offices.

Section 8. Chairman of the Board. The Chairman of the Board shall preside when present at all meetings of the Board of Directors and at all meetings of the stockholders. He shall advise and counsel the other officers of the corporation and shall exercise such powers and perform such duties as shall be assigned to or required of him from time to time by the Board of Directors.

Section 9. President; Chief Executive Officer. The President shall be ex-officio a member of all standing committees so long as the President is a member of the Board of Directors, except as may otherwise be determined by the Board of Directors, have general powers of oversight, supervision and management of the business and affairs of the corporation, and see that all orders and resolutions of the Board of Directors are carried into effect.

In the event another executive officer has been designated Chief Executive Officer of the corporation by the Board of Directors, then (i) such other executive officer shall have all of the powers granted by the bylaws to the President; and (ii) the President shall, subject to the powers of supervision and control thereby conferred upon the Chief Executive Officer, be the chief operating officer of the corporation and shall have all necessary powers to discharge such responsibility including general supervision of the affairs of the corporation and general and active control of all of its business.

The President shall perform all the duties and have all the powers of the Chairman of the Board in the absence of the Chairman of the Board.

Section 10. Executive Vice Presidents. The Executive Vice Presidents in the order determined by the Board of Directors shall, in the absence or disability of the President, perform the duties and exercise the powers of the President, and shall perform such other duties as the Board of Directors, the Chairman of the Board and the President may prescribe.

Section 11. Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of the stockholders and record all votes and the minutes of all proceedings in a book to be kept for that purpose and shall perform like duties for the committees of the Board of Directors when required. Except as may be otherwise provided in these bylaws, he shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors and the President. He shall keep in safe custody the seal of the corporation, if any, and shall have authority to affix the same to any instrument requiring it, and when so affixed it may be attested by his signature. The Board of Directors may give general authority to any other officer to affix the seal of the corporation and to attest the affixing by his signature. In the absence of the Treasurer and all Assistant Treasurers, the Secretary shall perform all the duties and have all the powers of the Treasurer.

Section 12. Assistant Secretaries. The Assistant Secretaries in the order determined by the Board of Directors shall, in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary and shall perform such other duties as the Board of Directors, the Chairman of the Board and President may prescribe.

Section 13. Treasurer. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation and shall deposit all monies and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the Board of Directors. He shall disburse the funds of the corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Board of Directors, the Chairman of the Board and the President, whenever they may require it, an account of all of his transactions as Treasurer and of the financial condition of the corporation.

Section 14. Assistant Treasurers. The Assistant Treasurers in the order determined by the Board of Directors shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer and shall perform such other duties as the Board of Directors, the Chairman of the Board and the President may prescribe.

ARTICLE IX

Shares and Stockholders

Section 1. Certificates Representing Shares. Every holder of stock in the corporation shall be entitled to have a certificate signed by, or in the name of the corporation by the Chairman or Vice Chairman of the Board of Directors, or the President or a Vice President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the corporation, certifying the number of shares owned by him in the corporation; provided that the Board of Directors may provide by resolution or resolutions that some or all of any or all classes or series of stock shall be uncertificated. The signature of any such officer may be facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon such certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent or registrar at the date of its issuance. If the corporation shall be authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate which the corporation shall issue to represent such class or series of stock, provided that, except as otherwise provided in Section

202 of the General Corporation Law of the State of Delaware, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate which the corporation shall issue to represent such class or series of stock a statement that the corporation will furnish without charge to each stockholder who so requests the designations, preferences and relative, participating, optional or other special rights of each class or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

Section 2. Transfer of Shares. Subject to valid transfer restrictions and to stop-transfer orders directed in good faith by the corporation to any transfer agent to prevent possible violations of federal or state securities laws, rules or regulations, or for any other lawful purpose, upon surrender to the corporation of a certificate for shares (if certificated) duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the corporation to issue a new certificate (if certificated) to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

Section 3. Fixing Record Date for Meetings and Dividends and Rights.

(a) In order that the corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall, unless otherwise required by law, not be more than sixty nor less than ten days before the date of such meeting. If the Board of Directors so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board of Directors determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for determination of stockholders entitled to vote at the adjourned meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance herewith at the adjourned meeting.

(b) In order that the corporation may determine the stockholders entitled to receive payment for any dividend or other distribution or allotment of any rights or the stockholders entitled to receive any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty days prior to such action. If no record date is fixed, the record for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 4. Fixing Record Date for Action By Consent/Consent Procedure.

(a) In order that the corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than ten days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. Any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent shall, by written notice to the Secretary, request that the Board of Directors fix a record date. The Board of Directors shall promptly, but in all events within ten days after the date on which such written notice is received, adopt a resolution fixing the record date (unless a record date has previously been fixed by the Board of Directors pursuant to the first sentence of this Section 4(a)). If no record date has been fixed by the Board of Directors pursuant to the first sentence of this Section 4(a) or otherwise within ten days after the date on which such written notice is received, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by applicable law, shall be the first date after the expiration of such ten-day time period on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the corporation by delivery to its registered office in Delaware, its principal place of business, or to any officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. If no record date has been fixed by the Board of Directors pursuant to the first sentence of this Section 4(a), the record date for determining stockholders entitled to consent to corporate action in writing without a meeting if prior action by the Board of Directors is required by applicable law shall be at the close of business on the date on which the Board of Directors adopts the resolution taking such prior action.

(b) In the event of the delivery, in the manner provided by this Section 4 and applicable law, to the corporation of written consent or consents to take corporate action and/or any related revocation or revocations, the corporation shall engage

independent inspectors of elections for the purpose of performing promptly a ministerial review of the validity of the consents and revocations. For the purpose of permitting the inspectors to perform such review, no action by written consent and without a meeting shall be effective until such inspectors have completed their review, determined that the requisite number of valid and unrevoked consents delivered to the corporation in accordance with this Section 4 and applicable law have been obtained to authorize or take the action specified in the consents, and certified such determination for entry in the records of the corporation kept for the purpose of recording the proceedings of meetings of stockholders. Nothing contained in this Section 4(b) shall in any way be construed to suggest or imply that the Board of Directors or any stockholder shall not be entitled to contest the validity of any consent or revocation thereof, whether before or after such certification by the independent inspectors, or to take any other action (including, without limitation, the commencement, prosecution or defense of any litigation with respect thereto, and the seeking of injunctive relief in such litigation).

(c) Every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within sixty days after the earliest dated written consent received in accordance with this Section 4, a valid written consent or valid written consents signed by a sufficient number of stockholders to take such action are delivered to the corporation in the manner prescribed in this Section 4 and applicable law, and not revoked.

Section 5. Registered Stockholders. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of any share or shares to receive dividends, and to vote as such owner, and for all other purposes as such owner; and the corporation shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Delaware.

Section 6. Lost Certificates. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

ARTICLE X

Indemnification

Section 1. Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative, or investigative (hereinafter a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer of the corporation or is or was serving at the request of the corporation as a director or officer of another corporation or of a partnership, joint venture, trust, or other enterprise, including service with respect to an employee benefit plan (hereinafter an "indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a director or officer or in any other capacity while serving as a director or officer shall be indemnified and held harmless by the corporation to the fullest extent authorized by the General Corporation Law of the State of Delaware, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the corporation to provide broader indemnification rights than permitted prior thereto), against all expense, liability and loss (including, without limitation, attorneys' fees, judgments, fines, ERISA excise taxes or penalties, and amounts paid or to be paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith and such indemnification shall continue as to an indemnitee who has ceased to be a director or officer and shall inure to the benefit of the indemnitee's heirs, executors, and administrators; *provided, however*, that, except as provided in Section 2 of this Article X with respect to proceedings to enforce rights to indemnification, the corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors of the corporation. The right to indemnification conferred in this Article X shall be a contract right and shall include the right to be paid by the corporation the expenses incurred in defending any such proceeding in advance of its final disposition (hereinafter an "advancement of expenses"); *provided, however*, that if the General Corporation Law of the State of Delaware requires, an advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the corporation of an undertaking (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined

by final judicial decision from which there is no further right to appeal (hereinafter a "final adjudication") that such indemnitee is not entitled to be indemnified for such expenses under this Article X or otherwise.

Section 2. Right of Indemnitee to Bring Suit. If a claim under Section 1 of this Article X is not paid in full by the corporation within sixty days after a written claim has been received by the corporation (except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty days), the indemnitee may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that the indemnitee has not met the applicable standard of conduct set forth in the General Corporation Law of the State of Delaware, and in any suit by the corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the corporation shall be entitled to recover such expenses upon a final adjudication that the indemnitee has not met the applicable standard of conduct set forth in the General Corporation Law of the State of Delaware. Neither the failure of the corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that the indemnitee has not met the applicable standard of conduct set forth in the General Corporation Law of the State of Delaware, nor an actual determination by the corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct, or in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder or by the corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified or to such advancement of expenses under this Article X or otherwise shall be on the corporation.

Section 3. Non-Exclusivity of Rights. The rights to indemnification and to the advancement of expenses conferred in this Article X shall not be exclusive of any other right that any person may have or hereafter acquire under these bylaws, the certificate of incorporation, any agreement, vote of stockholders or disinterested directors, or otherwise.

Section 4. Insurance. The corporation may maintain insurance, at its expense, to protect itself and any director or officer of the corporation or another corporation, partnership, joint venture, trust, or other enterprise against any expense, liability, or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability, or loss under the General Corporation Law of the State of Delaware.

Section 5. Indemnity of Employees and Agents of the Corporation. The corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses to any employee or agent of the corporation to the fullest extent of the provisions of this Article X with respect to the indemnification and advancement of expenses of directors and officers of the corporation.

Section 6. Repeal or Modification. Any repeal or modification of the foregoing provisions of these bylaws shall not adversely affect any right or protection hereunder of any person with respect to any act or omission occurring prior to or at the time of such repeal or modification.

ARTICLE XI

General

Section 1. Dividends. Dividends upon the capital stock of the corporation, subject to the provisions of the certificate of incorporation, if any, or of the resolutions, if any, providing for any series of stock, may be declared by the Board of Directors at any meeting thereof, or by the Executive Committee at any meeting thereof. Dividends may be paid in cash, in property or in shares of the capital stock of the corporation, subject to the provisions of the certificate of incorporation or of the resolutions, if any, providing for any series of stock.

Section 2. Reserves. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in the absolute discretion, deem proper as a reserve fund to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose or purposes as the directors shall think conducive to the interests of the corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

Section 3. Shares of Other Entities. The Chairman of the Board, the Chief Executive Officer, the President and any Vice President are each authorized to vote, represent and exercise on behalf of the corporation all rights incident to any and all shares or other equity interest of any other corporation or other entity standing in the name of the corporation. The authority herein granted to said officer may be exercised either by said officer in person or by any person authorized so to

do by proxy or power of attorney duly executed by said officer. Notwithstanding the above, however, the Board of Directors, in its discretion, may designate by resolution any additional person to vote or represent said shares or other equity interests of other corporations and other entities.

Section 4. Checks. All checks, drafts, bills of exchange or demands for money of the corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Section 5. Corporate Records. The corporation shall keep at its registered office or principal place of business, or at the office of its transfer agent or registrar, a record of its stockholders giving the names and addresses of all stockholders and the number and class and series, if any, of shares held by each. All other books and records of the corporation may be kept at such place or places within or without the State of Delaware as the Board of Directors may from time to time determine.

Section 6. Fiscal Year. The fiscal year of the corporation shall be fixed by the Board of Directors; if no so fixed, it shall be the calendar year.

ARTICLE XII

Amendments

These bylaws may be altered, amended or repealed or new bylaws may be adopted at any annual meeting of the stockholders or at any special meeting of the stockholders at which a quorum is present or represented, if notice thereof is contained in the notice of such special meeting, by the affirmative vote of the holders of 66-2/3 percent of the shares entitled to vote at such meeting, or by the affirmative vote of a majority of the entire Board of Directors at any regular meeting of the Board or at any special meeting of the Board.



June 9, 2017

David Bernard

Dear David:

I am pleased to offer you the position of **Senior Vice President – Chief Information Officer** (Grade 99) for Dean Foods Company. This position will report to Ralph Scozzafava, Chief Executive Officer, and will be based out of our Corporate Headquarters in Dallas, Texas. We look forward to having you join our team, TBD. Please confirm your acceptance of this offer by June 14, 2017.

Here are the specifics of your assignment:

Base Salary

You will be paid \$13,541.67 on a semi-monthly basis, less payroll taxes, which equates to an annual salary of \$325,000.00, less payroll taxes. Your salary will be reviewed annually (next in March 2018).

Signing Bonuses

You will receive one-time signing bonuses totaling \$200,000.00, less payroll taxes, per the following schedule:

Payment Within 30 Days After Date Listed Below	Amount
Completion of 30 days' employment	\$50,000.00
Completion of 12 months' employment	\$75,000.00
Completion of 24 months' employment	\$75,000.00

If you voluntarily leave Dean Foods without good reason within 12 months following the payment of a signing bonus, you will be responsible for reimbursing Dean Foods for the full gross amount of the signing bonus (prorated based on the number of full months worked during the 12 months following the payment), and you will not be eligible to receive any unpaid signing bonuses.

Annual Incentive Opportunity

As a Grade 99 executive, you will be eligible to earn an annual incentive as a participant in the Dean Foods Corporate Short-Term Incentive (STI) Plan with a 2017 target amount equal to 55% of your annualized base salary, subject to the achievement of certain financial targets as well as your performance against certain individual objectives. Your 2017 incentive payment will be prorated based on your actual hire date.

Annual Long-Term Incentive Compensation

You will be eligible for consideration for future Long-Term Incentive (LTI) grants under the Dean Foods Long Term Incentive Program. The exact amount and nature of any future long-term incentive awards will be determined by the Dean Foods Compensation Committee.

One-Time New Hire Long-Term Incentive Award

You will be eligible for a one-time new hire grant under the Dean Foods Long Term Incentive Program. The target value of the grant will be \$150,000.00. You will receive additional details regarding your new hire grant within 90 days of your new hire effective date.

Paid Time Off (PTO)

You will be granted twenty-five (25) days of PTO per year. For 2017, your PTO will be prorated based on your actual start date. Unused PTO is not carried forward from year to year unless required by state law.

Benefits Plan

You will soon be receiving an overview of the health and welfare benefits program. Your eligibility begins on the first day of the month following 60 calendar days of employment; please note that you must complete the health and welfare benefits enrollment process within 45 days of your hire date. Once hired, if you have questions regarding the health and welfare benefits programs or eligibility, please call the Dean Foods Benefits Service Center at 877-224-4909 or go online to www.deanfoods.mercerhrs.com.

Your eligibility for 401(k) benefits will begin on the first day of the month following 60 calendar days of employment. You will receive information regarding these benefits approximately two weeks prior to your eligibility. For questions regarding 401(k) programs or eligibility, please call Fidelity Investments at 800-835-5095.

Executive Deferred Compensation Plan

You will be eligible to participate in the Dean Foods Executive Deferred Compensation Plan. The plan provides eligible executives with the opportunity to defer compensation on a pre-tax basis. You will receive general information and enrollment materials during the next enrollment cycle.

Supplemental Executive Retirement Plan

You will be covered by the Dean Foods Supplemental Executive Retirement Plan (SERP) under the plan rules. The SERP is a non-qualified retirement plan that provides an annual Company contribution (currently 4% of eligible excess compensation) to executives whose eligible compensation exceeds the annual IRS-mandated limit for qualified retirement plans. Company contributions are made in June/July for the prior year period. You will receive additional information upon receiving your first plan contribution.

Executive Physical

You will be eligible for a Company-paid Executive Physical every calendar year with the Cooper Institute in Dallas, Texas. To schedule your physical, call 972.560.3227 and reference Dean Foods.

COBRA Support

Should you elect COBRA (health insurance) coverage from your previous employer, Dean Foods will reimburse you, grossed up for taxes, for your COBRA premiums (less your comparable Dean Foods contribution) until you become eligible for Dean Foods benefits (first of the month following 60 days of employment).

Insider Trading

As a Senior Vice President, you will have access to sensitive business and financial information. Accordingly, from time to time and in accordance with the company's Insider Trading Policy, you will be prohibited from

trading Dean Foods' securities (or, in some circumstances, the securities of companies doing business with Dean Foods).

Severance

Dean Foods maintains an Executive Severance Plan. As a Senior Vice President, you will be an eligible participant. A copy of the plan will be provided to you.

Change-In-Control Provisions

You will be provided a Change in Control agreement comparable to that currently provided to other Dean Foods Senior Vice Presidents.

New Hire Process

This offer of employment is contingent upon your submission to and successful completion of a background check and drug screen. By signing this offer letter, you represent that there is no agreement or promise in place between you and any other company (for example, a non-competition agreement) that would prohibit you from working for Dean Foods. You are also required to comply with the Dean Foods Code of Ethics as a condition of employment, and you understand and agree that you are not to use or disclose the confidential or proprietary information of any prior employer while performing your job with Dean Foods. You also agree that to the extent you have any prohibitions on solicitation of customers or employees from your prior employer, you agree that you will honor those provisions for the allotted time in any relevant agreements.

Conclusion

David, I am very excited about the opportunities at Dean Foods and very excited to have you be a part of our team. I am confident that with your experience, skills, vision and standards, you will make significant contributions to our company in the years to come.

Best regards,

/s/ Kim Warmbier

Kim Warmbier
EVP, Chief Human Resources Officer

Agreed and accepted:

/s/ David Bernard
David Bernard

June 12, 2017
Date



June 21, 2017

David Bernard

Dear David:

I am very excited that you have accepted our offer to join Dean Foods on June 26, 2017 as our new Senior Vice President – Chief Information Officer.

Regarding your recent offer, we would like to readdress a component of your compensation package related to your Annual Incentive Opportunity. As provided in your original offer letter, you will be eligible to earn an annual incentive as a participant in the Dean Foods Corporate Short-Term Incentive (STI) Plan with a 2017 target amount equal to 55% of your annualized base salary, subject to the achievement of certain financial targets as well as your performance against certain individual objectives.

We would like to clarify that, although for the 2017 plan year your STI calculation will be prorated based on your actual hire date, the anticipated five months of incentive for which you will be eligible during 2017 will be guaranteed to be paid at target. The 2017 STI prorated payment will be calculated using your annual base salary as of 12/31.

David, we're all very excited to have you be a part of our team. I look forward to greeting you personally very soon. Feel free to call with any questions.

Best regards,

/s/ Kim Warmbier

Kim Warmbier
EVP, Chief Human Resources Officer

Cc. David Bruns
Jose Motta

DEAN FOODS COMPANY
AMENDED AND RESTATED
EXECUTIVE SEVERANCE PAY PLAN
(as amended November 8, 2017)

Article 1. PURPOSE OF THE PLAN

The purpose of the Dean Foods Company Amended and Restated Executive Severance Pay Plan dated November 16, 2010, as amended on November 8, 2017 (the “Plan”) is to provide severance benefits to certain executive officers and certain other designated officers or employees of Dean Foods Company (the “Company”) and its Subsidiaries whose employment terminates under the circumstances described below.

Article 2. DEFINITIONS

Certain Definitions. Whenever used herein, the following terms shall have the respective meanings set forth below:

“Administrator” means a committee comprised of the following officers of the Company: the Chief Executive Officer, the General Counsel and the senior HR officer or, if at any time no person serves in any such office or is then acting in such capacity, the person fulfilling a substantially similar role; provided, however, that no such officer shall be authorized to act with respect to any manner that relates to his or her specific entitlements under the Plan.

“Board” means the Board of Directors of the Company.

“Cause” means (i) Participant’s conviction of any crime deemed by the Company to make the Participant’s continued employment untenable; (ii) Participant’s willful and intentional misconduct or negligence that has caused or could reasonably be expected to result in material injury to the business or reputation of the Company; (iii) a Participant’s conviction of, or entering a plea of guilty or nolo contendere to, a crime constituting a felony; (iv) the breach by a Participant of any written covenant or agreement with the Company or (v) Participant’s failure to comply with or breach of the Company’s “code of conduct” in effect from time to time.

“Code” means the Internal Revenue Code of 1986, as amended.

“Corresponding Severance Period” means a period of years equal to the multiple applicable to the Participant’s Base Pay/Salary and Incentive Pay/Bonus in accordance with **Exhibit A**.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“Good Reason” means a termination of a Participant’s employment by such Participant following the occurrence of one or more of the following events: (i) a material reduction in the Participant’s annual base salary or target annual bonus opportunity (unless a similar reduction is applied broadly to similarly situated employees), (ii) a material reduction in the scope of a Participant’s duties and responsibilities, or (iii) the relocation of the Participant’s principal place of employment to a location that is more than 50 miles from such prior location of employment. In order for a termination by the Executive to constitute a termination for Good Reason, (i) the Executive must notify the Company of the circumstances claimed to constitute Good Reason in writing not later than the 90th day after it has arisen or occurred, (ii) the Company must not have cured such circumstances within 30 days of receipt of such notice and (iii) the Executive terminates employment within 6 months of such occurrence.

“Long-Term Incentive Awards” means any grant of long-term incentive awards, including, but not limited to, long-term cash plans, stock options, restricted stock and restricted stock units, and other equity-based awards made to any Participant. “Participant” means any employee who satisfies the eligibility requirements of Section 3.

“Qualifying Termination” means (i) the involuntary termination of a Participant’s employment by the Company (other than for Cause) or (ii) the voluntary termination of a Participant’s employment with the Company for Good Reason. For all purposes under this Plan, an Executive shall not have a “termination of

employment” (and corollary terms) from the Company unless and until the Executive has a “separation from service” from the Company (as determined under Treas. Reg. Section 1.409A-1(h), as uniformly applied in accordance with such rules as shall be established by the Company from time to time).

“**Severance Benefits**” means the amounts and benefits provided in **Exhibit A**.

“**Subsidiary**” means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if each of the corporations (other than the last corporation in the unbroken chain) owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in the chain.

Gender and Number. Except when otherwise indicated by the context, words in the masculine gender used in the Plan shall include the feminine gender, the singular shall include the plural, and the plural shall include the singular.

Article 3. ELIGIBILITY

Eligibility under the Plan is limited to the executives and officers of the Company and its Subsidiaries (a) who was an executive or officer of the Company or a Subsidiary prior to November 1, 2017 and (b) (i) having (A) the title of Senior Vice President and above and a minimum salary grade designated by the Administrator or (B) the title of Vice President and a minimum salary grade designated by the Administrator, or (ii) such other officers or executives of the Company as the Administrator shall from time to time designate as eligible to participate in the Plan at such level of participation as the Administrator may determine; provided however that no individual shall become eligible for participation under this Plan on or after November 1, 2017.

Article 4. SEVERANCE BENEFITS

4.1 Severance Benefits. Each Participant who experiences a Qualifying Termination and who satisfies any additional conditions imposed pursuant to Section 4.3 shall receive the applicable Severance Benefits as provided in **Exhibit A**. Severance Benefits shall be reduced by such amounts as may be required under all applicable federal, state, local or other laws or regulations to be withheld or paid over with respect to such payment. No Participant shall be entitled to duplicate benefits pursuant to this Plan and any other plan or agreement and no Participant shall receive any Severance Benefits upon a termination of employment other than a Qualifying Termination.

4.2 Time of Payment of Severance Benefits.

Subject to the satisfaction of the conditions set forth in section 4.3, all Severance Benefits (i) calculated by reference to Base Pay/Salary or Incentive Pay/Bonus or other forms of compensation that are not contingent on the achievement of performance criteria other than (or in addition to) the value of the Company’s common stock shall be payable within 75 days of the date of the Participant’s termination of employment and (ii) all Severance Benefits that are contingent on the achievement of performance criteria other than (or in addition to) the value of the Company’s common stock shall be paid not later than two and one half months after the end of the applicable performance measurement period, unless the award agreement under which such performance based compensation is awarded requires payment to be made at a different date (e.g., such as to comply with any six month delay required on the payment of deferred compensation to any Participant who is a specified employee within the meaning of Section 409A of the Code). Notwithstanding the foregoing, to the extent that any portion of the Severance Benefits hereunder is deferred compensation subject to the provisions of Section 409A of the Code, in no event shall such portion of such Severance Benefits be paid prior to the last date by which a Participant who has incurred a Qualifying Termination would be required to deliver the release required under, or to agree to comply with any additional conditions imposed pursuant to, Section 4.3.

4.3 Conditions to Payment. Notwithstanding anything contained in the Plan to the contrary, (i) payment of any Severance Benefits shall be conditioned upon the execution and non-revocation by Participant of a release in a form and in substance reasonably satisfactory to the Administrator within 60 (sixty) days after the Participant’s termination of employment and (ii) the Administrator may condition the Participant’s receipt of all or any portion of the Severance Benefits upon the Participant’s agreement to such additional conditions as the Administrator may

deem necessary or appropriate to promote the interests of the Company, including the execution by Participant of an agreement not to compete with, not to solicit employees or customers from, and/or not to use or disclose confidential information of, the Company and its Subsidiaries during a period of time not exceeding the Participant's Corresponding Severance Period. Any conditions imposed by the Administrator under subclause (ii) of the immediately preceding sentence shall be communicated to the Participant not later than five business days after the date of termination, and must be agreed to by the Participant within 60 (sixty) days following the Participant's termination of employment in order for the Participant to be eligible to receive the Severance Benefits subject to such condition.

4.4 Other Benefits. A Participant's benefits under this Plan shall be reduced by any severance, separation or early retirement incentive pay or other similar benefits the Participant receives under any other plan, program, agreement or arrangement, such benefits shall be treated as satisfying the obligations to the Participant hereunder, to the extent of such payment, so that there shall be no duplication of benefits. Except as provided in this Plan, a Participant's rights under any employee benefit plans maintained by the Company shall be determined in accordance with the provisions of such plans.

Article 5. METHOD OF FUNDING

Nothing in the Plan shall be interpreted as requiring the Company to set aside any of its assets for the purpose of funding its obligations under the Plan. No person entitled to benefits under the Plan shall have any right, title or claim in or to any specific assets of the Company, but shall have the right only as a general creditor to receive benefits on the terms and conditions provided in the Plan.

Article 6. ADMINISTRATION OF THE PLAN

The Plan shall be administered by the Administrator, who shall have full authority, consistent with the Plan, to administer the Plan, including authority to interpret, construe and apply any provisions of the Plan. Any decisions of the Administrator shall be final and binding on all parties.

The Administrator shall be the Plan Administrator and named fiduciary of the Plan for purposes of ERISA. The Administrator may delegate to any person, committee or entity any of his or her respective duties hereunder and the decisions of any such person with respect to such delegated matters shall be final and binding in accordance with the first paragraph of this section. This section shall constitute the Plan's procedures for the allocation of responsibilities for the operation and administration of the Plan (within the meaning of Section 405(c) of ERISA).

Article 7. AMENDMENT OR TERMINATION OF PLAN

Notwithstanding anything in the Plan to the contrary, the Company's Board of Directors may amend, modify or terminate the Plan at any time by written instrument; provided that any such amendment, modification or termination shall not (i) with respect to any Participant who has an employment or other written agreement with the Company explicitly providing for participation in this Plan, result in the loss of any material or substantive rights for such Participant or (ii) with respect to any Participant, deprive such Participant of any payment or benefit that the Plan Administrator previously has determined is payable to such Participant under the Plan. In addition, the Administrator shall have the right at any time to make any amendments to the Plan that could be made by the Board of Directors under the preceding sentence, including modifying the timing and form of payment of all or any portion of Severance Benefits or other payments described herein, if, in the sole discretion of the Plan Administrator, any such amendment is necessary or advisable as a result of changes in law or to avoid the imposition of an additional tax, interest or penalty under section 409A of the Code and regulations promulgated thereunder.

Article 8. MISCELLANEOUS

8.1 Headings. Headings of sections in this instrument are for convenience only, and do not constitute any part of the Plan.

8.2 Severability. If any provision of this Plan or the rules and regulations made pursuant to the Plan are held to be invalid or illegal for any reason, such illegality or invalidity shall not affect the remaining portions of this Plan.

8.3 Effect on Prior Plans. With respect to any employee who is eligible to receive benefits under the Plan, the Plan supersedes any and all prior severance plans, agreements, programs and policies to the extent applicable to such employees.

8.4 Successors and Assigns. This Plan shall be binding upon and inure to the benefit of the Company, and its respective successors and assigns and shall be binding upon and inure to the benefit of a Participant and his or her legal representatives, heirs and assigns. No rights, obligations or liabilities of a Participant hereunder shall be assignable without the prior written consent of the Company.

8.5 Governing Law. The Plan shall be construed and enforced in accordance with ERISA and the laws of the State of Delaware to the extent such laws are not preempted by ERISA.

8.6 Section 409A. Neither the Company nor any of its directors, officers or employees shall have any liability to an employee in the event such Section 409A applies to any benefit provided pursuant to this policy in a manner that results in adverse tax consequences for the employee or any of his or her beneficiaries or transferees.

EXHIBIT A
SEVERANCE BENEFITS

	Chief Executive Officer	Executive Officers	Senior Vice Presidents	Vice Presidents Grades 20-22
Base Pay/Salary	2 x current base salary	2 x current base salary	1.5 x current base salary	1 x current base salary
Incentive Pay/Bonus	2 x current annual bonus target	2 x current annual bonus target	1.5 x current annual bonus target	1 x current annual bonus target

Long-Term Incentive Awards	Cash payment made for the in-the-money value of all outstanding and unvested long-term incentive awards that would vest over the 36 months following the date of severance. Except as provided below, the value of awards related to Dean Foods stock shall be based on average closing price of Dean Foods stock measured over 30 days immediately following the date of severance, but net of any exercise or base price applicable to such award. Cash-based awards and stock-based awards, payment of which is contingent upon the satisfaction of performance criteria, shall be valued based on the otherwise applicable formula in respect of such award, except that, unless otherwise expressly provided in the terms of such award, measurement of any performance criteria shall occur as of the end of the calendar year in which the date of severance occurs.	Cash payment made for the in-the-money value of all outstanding and unvested long-term incentive awards that would vest over the 24 months following the date of severance. Except as provided below, the value of awards related to Dean Foods stock shall be based on average closing price of Dean Foods stock measured over 30 days immediately following the date of severance, but net of any exercise or base price applicable to such award. Cash-based awards and stock-based awards, payment of which is contingent upon the satisfaction of performance criteria, shall be valued based on the otherwise applicable formula in respect of such award, except that, unless otherwise expressly provided in the terms of such award, measurement of any performance criteria shall occur as of the end of the calendar year in which the date of severance occurs.	Cash payment made for the in-the-money value of all outstanding and unvested long-term incentive awards that would vest over the 18 months following the date of severance. Except as provided below, the value of awards related to Dean Foods stock shall be based on average closing price of Dean Foods stock measured over 30 days immediately following the date of severance but net of any exercise or base price applicable to such award. Cash-based awards and stock-based awards, payment of which is contingent upon the satisfaction of performance criteria, shall be valued based on the otherwise applicable formula in respect of such award, except that, unless otherwise expressly provided in the terms of such award, measurement of any performance criteria shall occur as of the end of the calendar year in which the date of severance occurs.	Cash payment made for the in-the-money value of all outstanding and unvested long-term incentive awards that would vest over the 12 months following the date of severance . Except as provided below, the value of awards related to Dean Foods stock shall be based on average closing price of Dean Foods stock measured over 30 days immediately following the date of severance but net of any exercise or base price applicable to such award. Cash-based awards and stock-based awards, payment of which is contingent upon the satisfaction of performance criteria, shall be valued based on the otherwise applicable formula in respect of such award, except that, unless otherwise expressly provided in the terms of such award, measurement of any performance criteria shall occur as of the end of the calendar year in which the date of severance occurs.
Healthcare	Cash payment of \$25,000 which may be used to pay COBRA expenses	Cash payment of \$25,000 which may be used to pay COBRA expenses	Cash payment of \$20,000 which may be used to pay COBRA expenses	Cash payment of \$15,000 which may be used to pay COBRA expenses
Outplacement	Cash payment of \$25,000; office and administrative support for 24 months	Cash payment of \$25,000	Cash payment of \$20,000	Cash payment of \$15,000

Current Year Bonus

Payment of a pro-rata bonus based on months employed during the year and the Participant's target bonus for the year of termination. If the Participant is a person who the Company reasonably determines could have been a covered employee within the meaning of Section 162(m) of the Code for the year in which his or her employment terminates, and such bonus has been designed to be performance based compensation exempt from the limitation in such Section 162(m), then payment of such pro-rated bonus shall be contingent upon satisfaction of the performance criteria otherwise applicable to the payment of such bonus.

Payment of a pro-rata bonus based on months employed during the year and the Participant's target bonus for the year of termination. If the Participant is a person who the Company reasonably determines could have been a covered employee within the meaning of Section 162(m) of the Code for the year in which his or her employment terminates, and such bonus has been designed to be performance based compensation exempt from the limitation in such Section 162(m), then payment of such pro-rated bonus shall be contingent upon satisfaction of the performance criteria otherwise applicable to the payment of such bonus.

Payment of a pro-rata bonus based on months employed during the year and the Participant's target bonus for the year of termination. If the Participant is a person who the Company reasonably determines could have been a covered employee within the meaning of Section 162(m) of the Code for the year in which his or her employment terminates, and such bonus has been designed to be performance based compensation exempt from the limitation in such Section 162(m), then payment of such pro-rated bonus shall be contingent upon satisfaction of the performance criteria otherwise applicable to the payment of such bonus.

Payment of a pro-rata bonus based on months employed during the year and the Participant's target bonus for the year of termination. If the Participant is a person who the Company reasonably determines could have been a covered employee within the meaning of Section 162(m) of the Code for the year in which his or her employment terminates, and such bonus has been designed to be performance based compensation exempt from the limitation in such Section 162(m), then payment of such pro-rated bonus shall be contingent upon satisfaction of the performance criteria otherwise applicable to the payment of such bonus.

Certification

I, Ralph Scozzafava, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dean Foods Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ RALPH SCOZZAFAVA

Chief Executive Officer and Director

November 8, 2017

Certification

I, Scott K. Vopni, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dean Foods Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ SCOTT K. VOPNI

*Senior Vice President - Finance, Chief Accounting Officer
and Interim Chief Financial Officer*

November 8, 2017

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of Dean Foods Company (the "Company") for the quarter ended September 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ralph Scozzafava, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ RALPH SCOZZAFAVA

Ralph Scozzafava

Chief Executive Officer and Director

November 8, 2017

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of Dean Foods Company (the "Company") for the quarter ended September 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott K. Vopni, Senior Vice President - Finance, Chief Accounting Officer and Interim Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ SCOTT K. VOPNI

Scott K. Vopni

*Senior Vice President - Finance, Chief Accounting Officer
and Interim Chief Financial Officer*

November 8, 2017

DEAN HOLDING COMPANY
CONSOLIDATED BALANCE SHEET INFORMATION
(Unaudited)
(In thousands)

September 30, 2017

Assets	
Current assets:	
Cash and cash equivalents	\$ 15,113
Receivables, net	318,646
Inventories	118,527
Prepaid expenses and other current assets	11,558
Total current assets	463,844
Property, plant and equipment, net	459,798
Goodwill	44,057
Identifiable intangible and other assets, net	50,846
Total	\$ 1,018,545
Liabilities and Parent's Net Investment	
Current liabilities:	
Accounts payable and accrued expenses	\$ 192,291
Income taxes payable	135
Current portion of long-term debt	141,765
Total current liabilities	334,191
Long-term debt	45,874
Deferred income taxes	69,849
Other long-term liabilities	30,481
Parent's net investment:	
Parent's net investment	543,047
Accumulated other comprehensive loss	(4,897)
Total parent's net investment	538,150
Total	\$ 1,018,545

DEAN HOLDING COMPANY
CONSOLIDATED OPERATING INFORMATION
(Unaudited)
(In thousands)

Nine Months Ended
September 30, 2017

Net sales	\$ 2,603,545
Cost of sales	2,006,281
Gross profit	597,264
Operating costs and expenses:	
Selling and distribution	442,170
General and administrative	45,406
Amortization of intangibles	9,447
Restructuring and non-recurring costs, net	504
Total operating costs and expenses	497,527
Operating income	99,737
Other expense:	
Interest expense	9,385
Other expense, net	66,943
Total other expense	76,328
Income before income taxes	23,409
Income taxes	9,777
Net income from continuing operations	13,632
Loss from discontinued operations, net of tax	11,290
Net income	24,922
Other comprehensive income, net of tax	80
Comprehensive income	\$ 25,002

