

**HIGHLIGHTS TO THE
PROPOSED
MODIFICATION
AGREEMENT BETWEEN**

**INTERSTATE BRANDS
CORPORATION
AND THE
INTERNATIONAL BROTHERHOOD
OF TEAMSTERS**

EXISTING AGREEMENTS

- Long-Term Extension Agreements and their provisions will remain in full force and effect for their respective durations, except as modified by the Modification Agreement (which will expire July 31, 2014)

MASTER AGREEMENT

- The proposed Modification Agreement will be ratified by a national mail ballot referendum of all affected members, within the next 60 days
- A Master Extension Agreement will be negotiated within 12 months, and will incorporate all Long-Term Agreements at their expirations

WAGES

- After completion of the wage increases in the Long-Term Extension Agreements, the following increases will take place:
 - Hourly paid employees will receive a 2.5% wage increase per year
 - Commission employees will receive a 2% base pay increase per year

- When the company exits bankruptcy, commission employees will receive no commission (i.e. "the drag") on the first \$1000 of sales
- But the drag can be reduced or eliminated if the Company reaches certain earnings levels
 - If the Company's EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) exceeds \$200 million, the drag shall be reduced to \$500
 - If the Company's EBITDA exceeds \$300 million, the drag shall be eliminated
 - The drag will also be proportional between mainline and private label sales

- In exchange for “the drag,” all Route Sales Representatives will share in a Teamsters Equity Sharing Plan and receive 15% of the Company’s total equity
 - This will be a dollar for dollar equity plan

HEALTH & WELFARE

- Teamsters-represented employees covered by IBC's Cigna Plan
 - Some health benefits will be adjusted
 - There will be a higher co-pay for prescription drugs
 - Employees will pay an additional \$10 per week co-pay contribution

- Teamster-represented employees covered by Teamster (Taft-Hartley) health and welfare plans

- Employees will pay a \$15 per week co-pay contribution, but it may be reduced or eliminated depending on the contribution requirements or their particular plan
- IBC agrees to increase health and welfare contributions each year by an amount not to exceed 9½%, and any unused contribution increases can be moved forward
- After Long-Term Extension Agreements expire, employees will pay an additional \$15 per week co-pay contribution

PENSION

- Teamster Multiemployer Pension Plans, after the expiration of any Long-Term Extension Agreement, will receive contribution increases from IBC not to exceed 10% per year, if required
 - A portion of any required increase will be offset from other economics under the Modification Agreement

PROFIT SHARING

- IBC will establish a Profit Sharing Program for all union-represented, hourly paid or non-exempt employees, of 10% of its net income

PRODUCT DISTRIBUTION

- IBC may adopt a Large Format and/or “drop and go” delivery system for bread and/or cake no earlier than August 1, 2010, and **only after a successful test in an area not represented by the Teamsters**
- If adopted, “the drag” is eliminated

- If implemented, commission employees will receive a 42 week wage guarantee based upon average earnings the year immediately before implementation
- Any employee affected may elect to leave employment and receive a lump sum “buy-out” from IBC of \$10,000 or \$600 per year of service up to 25 years, whichever is greater

TRANSPORT DRIVERS

- On transport operations, IBC has the right to convert transport hourly rates to trip rates, provided that the trip rates are **equal to, or better than,** the hourly rates for that year

DOLLY DIRECT

- Commissions due on the Dolly Direct Program will terminate January 1, 2008

SOUTHERN CALIFORNIA

- Re-entry into southern California, northern Washington and Michigan bread markets will be considered by IBC
 - Upon re-entry into any such market, all work formerly performed by Teamsters will be assigned to Teamsters

SENIORITY & JURISDICTION

- All work performed by Teamsters under the Modification Agreement and all Long-Term Extension Agreements will continue to be performed by Teamsters
- IBC will agree to a Neutrality and Protection of Jurisdiction Agreement
- Any disputes regarding the Modification Agreement will be subject to binding arbitration

QUESTIONS