



Summary of the Proposed Letter of Understanding to the 2008 IBC- IBT Modification Agreement between Interstate Brands Corporation and Local Union Affiliates of the International Brotherhood of Teamsters

The following summarizes the **Letter of Understanding** that has been proposed by Interstate Brands Corporation and would, if ratified by the Teamsters membership, apply to employees covered by bargaining agreements with the Company and amend the 2008 IBC – IBT Modification Agreement. Please refer to the **Letter of Understanding** itself for complete details.

A. Use of Casual Transport Drivers

- **Casuals.** Casual Transport Drivers (who must be Teamsters) may be used to fill in for regular full-time drivers absent due to illness, unscheduled absences or to run extra loads, without a weekly pay guarantee but with an 8-hour minimum daily guarantee. If 'trip rates' are used, the Casual Transport Driver will be paid "trip rate pay" or eight (8) hours pay, whichever is greater. The Company is not required to give advance layoff notices to Casual Transport Drivers.
- **Benefits.** Benefits for Casual Transport Drivers will be as follows: (i) Health and Welfare and Pension contributions will be paid for the full week if the employee works 3 or more days in a week; otherwise, contributions will be made only for the days worked in that week, unless applicable trust fund rules require otherwise; vacation, holidays or personal days will be pro-rated at year's end based on actual time.

B. Trip Pay Conversion and Transport Schedules

- **Trip Pay.** The formula for "Trip Pay" conversion will be 90% of the posted speed limit, except for metro areas where 30 MPH will be used within a 30 mile radius, with further details to be worked out with affected Local Unions on time studies, or by mutual agreement; pre and post trip will allow 30 minutes each; fueling will allow 15 minutes for each tank; two 15 minute paid breaks, and one 30 minute unpaid lunch break will be allowed; load and unload time at bakeries and depots will be paid at 90 minutes for full trailers, and 45 minutes for half trailers or less; transport schedules will be posted by 12:00 noon on Thursday of each week, for the following week's dispatch schedule, and changes are limited to no more than 2 hours; bid changes of more than 2 hours will be furnished to Stewards and Local Union no less than 2 weeks prior to the change, and shall require rebidding of runs from that driver's seniority down.

- **Unresolved Issues.** IBC agrees to meet with Local Unions to resolve any local issues regarding the new runs or the formula used to build the runs; any unresolved issues will be subject to the Local Union's grievance procedure.

C. Third Party Distribution (Hostess Cake Only)

- **Outside Distributors.** The Company may use outside distributors or wholesalers to distribute a hybrid line of Hostess cake products (not bread) that is graphically different from, and with different bar codes so as to insure easy visual identification as different from, main line Hostess cake products.
- **New Customers.** Customers covered by this distribution method are limited to those not currently serviced by Teamsters (except Vending), and would fall into one of two groups: (1) Group A: Up and Down the Street Accounts (i.e. small convenience stores, gas stations, independent food stores, and 'mom and pop' accounts); and (2) Group B: Vending. Each quarter, the Company will meet with the Union to identify those accounts in Group A whose sales exceed \$150.00 per week; if requested by the Union, any such accounts will be transferred to the RSR operation. If a Vending customer who is currently serviced by a Hostess RSR decides to purchase hybrid Hostess products under this distribution method, the affected RSR will receive 26 weeks of commissions on lost business.
- **Transport.** All Hostess hybrid products will be shipped by Teamsters Transport Drivers (including Casuals) and/or delivery drivers covered by the Modification Agreement, but the Company may use any other method of delivery allowed by a local collective bargaining agreement.
- **Commissions to Teamsters.** The Company will pay 3% of the net sales on all hybrid Hostess business done through Group A and Group B customers above, which funds will go to a Cake and Combo RSR 'pool' to be distributed equally among all Cake RSRs and Combo RSRs on a quarterly basis.

D. Combination Routes

- **Company Choice.** Where prohibited, restrictions on allowing the Company to sell bread and cake products on separate routes are relaxed; if the Company elects to merge both bread and cake routes in a particular locale, it will meet with the affected Local Union(s) to work out all seniority issues.

E. Pull-Up & Loader Flexibility

- **Teamsters to Perform.** Where Teamster bargaining unit employees currently perform pull-up work, they shall perform pull-ups on both bread and cake (no separate bread/cake pull-up work). Where there are separate bread and cake pull-up seniority lists, those lists will be dovetailed for the purpose of pull-up work; any outstanding issues will be worked out with the affected Local Union(s). Any contractual restrictions on allowing the Company to assign Teamster loaders to handle bread, cake or a

combination of both are also relaxed. All seniority issues will be worked out with the affected Local Union(s).

F. Drop N Go

- ***Higher Weekly Maximum Allowed.*** Appendix B of Paragraph 8 of the Modification Agreement limits the Company to deliver branded product by a drop-and-go method only to small customers less than \$100.00 maximum weekly sales; this maximum dollar amount has been increased to \$150.00 per week.

G. Commission Pay

- ***Commissions on Net Sales.*** As is the current practice, RSRs receive commissions on the net price charged to customers, including subsequent adjustments for promotional bill-backs. The Company will input to get this current practice in hand-held computers.

H. Joint Labor-Management Committee to Monitor and Maintain Compliance

- ***Teamster Reviews of IBC Operations.*** A Joint Labor-Management Committee, comprised to 2 members appointed by the Union and 2 members appointed by the Company, will meet quarterly to review: (i) the progress of, and means to improve, the operational changes provided in Paragraphs A through G above, (ii) grievances deemed by any Committee member to be appropriate for discussion and possible resolution, and (iii) a business results presentation prepared by the Company regarding its year over year performance, that will be maintained in strict confidence.
- The Joint Labor-Management Committee also will work to resolve, or otherwise expedite, grievances that arise through the Long-Term Extension Agreements or the 2008 IBC – IBT Modification Agreement.

I. Other Provisions

- ***Effect on Existing Agreements.*** Unless modified by this Letter of Understanding, all provisions of the Modification Agreement, all Long-Term Extension Agreements, and all Local Union collective bargaining agreements shall remain intact for the respective terms of such agreements. Any disputes regarding the application of, or interpretation of, the Letter of Understanding shall be settled through the arbitration procedures set forth in Paragraph O of the Modification Agreement.

Dated: April 11, 2011