

# INTERNATIONAL BROTHERHOOD OF TEAMSTERS

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JAMES P. HOFFA  
General President

25 Louisiana Avenue, NW  
Washington, DC 20001



C. THOMAS KEEGEL  
General Secretary-Treasurer

202.624.6800  
www.teamster.org

TO: Teamster members employed by Interstate Bakeries Corporation

FROM: Richard Volpe, Director, Bakery and Laundry Conference

DATE: October 1, 2008

Today, October 1, 2008, representatives from each of the local unions with members at IBC conducted a two-person contract review conference call. During the call, it was unanimously recommended that we send you the attached summary of the Proposed Modification Agreement. Please read it carefully.

The Proposed Modification Agreement is a result of many long hours of negotiations and the financial plan created between the private equity firm Ripplewood Holdings and Silver Point Capital. The IBC-IBT National Negotiating Committee and I believe this will be the best route to take in order for Interstate Bakeries to exit bankruptcy and to become a firm capable of standing on its own once again.

Although the proposed Agreement does not contain all we would have wanted, it does provide stability, wage increases and the best plan for the company's long term viability.

This document will be posted to the IBT website, [www.teamster.org](http://www.teamster.org). But your local union principal officer or business agent should be your first point of contact about Interstate Bakeries. Your local officials will have the most up-to-date material for Teamsters.

On October 22, balloting materials for the Proposed Modification Agreement will be mailed to each of you. The ballots will be due back by no later than November 12, 2008.

We realize this is a very important decision for you to make, but we believe this is the best Agreement for all of us.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard Volpe".

Richard Volpe, Director  
Teamsters Bakery and Laundry Conference

# Highlights of the Proposed Modification Agreement To Local Agreements Between Interstate Brands Corporation And Local Union Affiliates of the International Brotherhood of Teamsters

Since September 22, 2004, when Interstate Brands Corporation (IBC) filed for Chapter 11 bankruptcy protection, the Teamsters Bakery and Laundry Conference has been directly involved in a continuous and concerted effort to save our nation's oldest and foremost baking company, the largest employer of Teamsters in the industry. Our early efforts resulted in 5-year Long-Term Extension Agreements to virtually all 250+ Teamsters contracts with IBC, which were negotiated in an unprecedented 18 months. When our many and exhaustive attempts in mid-2007 to reach further agreements with new IBC management failed, largely due to its steadfast demand for total authority to implement any and all delivery schemes that would destroy long-standing Teamster jobs, the Conference sought other interested parties to aid in our efforts to assist IBC emerge from bankruptcy.

Over the past eight months, we have met with a group of experienced bakery professionals who have a history of dealing with Teamsters. After more than two dozen meetings and countless conferences, we have reached tentative agreement for a comprehensive *IBC-IBT Modification Agreement* that provides the best possibility for the survival of Interstate Brands and more than 9,000 Teamsters jobs.

No Chapter 11 plan for emergence from bankruptcy comes without sacrifice from all parties involved. The Committee recognizes that the proposals highlighted below, if approved by the membership, will be costly to Teamsters and their families. That's why we demanded an "equality of sacrifice" provision in the proposed *Modification Agreement*, so that every employee group (union and non-union) will contribute to the short-term and long-term survival of Interstate Brands.

The proposed agreement with IBC already has received approval from other parties involved in the bankruptcy, that is, the creditor and lending banks, IBC management, and new investors (Ripplewood), for submission to, and approval by, the Bankruptcy Court. If this agreement is not approved by the Court and implemented, obviously IBC will not survive. For this reason, the Committee remains convinced that the proposed Modification Agreement represents the best (and only) opportunity to save IBC as a going concern, and the thousands of Teamsters jobs at stake. There is still much work to do. But at this time, we unanimously recommend its adoption.

The following are highlights of the proposed *Modification Agreement*. Please refer to the *Modification Agreement* itself and its Appendices for complete details.

- *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).*
- *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 completed within 12 months, and will incorporate all Long-Term Extension Agreements at their expirations.*
- *When the Company exits bankruptcy, hourly employees' wages will be reduced by \$10.00 per week; this weekly reduction will be lowered in increments, to \$8.00 per week, then to \$5.00 per week, and then eliminated altogether, if the Company reaches certain pre-set earnings levels.*
- *After completion of the wage increases in the Long-Term Extension Agreements, the following increases will take place: (i) hourly paid employees will receive a 2.5% wage increase per year (rounded up to the nearest \$.05), and (ii) commission employees receive a 2% pay increase per year (rounded up to the nearest \$1.00) on the unreduced base pay, through the term of the Master Extension Agreement.*
- *When the Company exits bankruptcy, base pay for commission employees will be reduced by \$110.00 per week for the term of the Modification Agreement; this weekly reduction will be lowered in increments, to \$90.00 per week, then to \$45.00 per week, and then eliminated altogether if the Company reaches certain pre-set earnings levels.*
- *In exchange for the reductions described above, all employees will share in a Teamsters Equity Sharing Plan and receive 7% of the Company's total equity.*
- *When the Company exits bankruptcy, Teamsters-represented employees covered by IBC's Cigna Plan will: (i) have some health benefits adjusted, (ii) have a higher co-pay for prescription drugs; and (iii) pay an additional \$10 per week co-pay contribution, which will increase by \$2.00 per week each year thereafter. A Local Union, individually, may elect to forego the changes in prescription drug benefits if in return its members agree to an additional*

*\$5.00 per week (pre-tax) co-pay contribution to the company plan.*

- *When the Company exits bankruptcy, Teamsters-represented employees covered by Teamsters (Taft-Hartley) health and welfare plans will pay an additional \$30 per week (pre-tax) co-pay contribution, and an additional \$2.00 per week each year thereafter, but the first \$30 co-pay may be reduced or eliminated depending on the contribution requirements of their particular plan. Employees already paying a co-pay contribution will be subject to a maximum \$45 per week total co-pay contribution by the application of this increase during the first year after bankruptcy, and then be subject to the \$2.00 per year increase thereafter. IBC agrees to increase health and welfare contributions to Teamsters plans each year by an amount not to exceed 9½%, if needed to maintain benefits, and any unused contribution increases can be moved forward.*
- *Teamsters 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.*
- *IBC will establish a Profit Sharing Program for all union-represented, hourly paid or non-exempt employees, of 10% of its net income.*
- *IBC may adopt a Large Format, Direct Store Delivery (DSD) and/or 'drop and go' delivery system for bread and/or cake no earlier than August 1, 2010, only after a successful test in an area not represented by Teamsters. If Large Format or DSD are implemented, all weekly base or wage reductions for commission and hourly employees will be eliminated, and commission employees will receive a 42-week wage guarantee based on average earnings the year immediately before imple-*

mentation. If the 'drop and go' delivery system is implemented, all employees affected will have their weekly base pay reduction lowered by \$10.00, and receive not less than a 6 month commission guarantee on any business transferred to the 'drop and go' system. Any employee affected by Large Format or 'drop and go' delivery systems may elect to leave employment and receive a lump sum 'buy-out' from IBC of \$10,000.00, or \$600 per year of service up to 25 years, whichever is greater.

- *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. The IBC/IBT National Negotiating Committee agrees that Transervice is acceptable, and the IBC/IBT National Negotiating Committee and the Company agree that the Transervice Agreement (if and when completed, and complies with the long-term extension agreements, the side agreement dated September 5, 2006, and the IBC-IBT Modification Agreement, will serve as the model for future over-the-road transport agreement between the parties.*
- *Commissions due on the Dolly Direct Program will terminate January 1, 2008. The number of bread and cake*

*products that the Company may add to the list of permissible products will increase, and new products developed by the Company will not be added to the list until such product has been sold using the DSD delivery system for 9 months or more.*

- *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.*
- *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.*

As stated earlier, we unanimously recommend adoption of the proposed Modification Agreement to all IBT Local Unions and their members, which will demonstrate that Teamsters are ready, willing, and able to participate in the turnaround of Interstate Brands Corporation.

*Dated: October 1, 2008*

## **IBT Bakery and Laundry Conference IBC-IBT Negotiating Committee**

*Richard Volpe, Director, Local Union 550 • Dennis Raymond, Chairman, Local Union 677 • Robert Rayes, Local Union 51 • Hector Fernandez, Local Union 63 • Dan Bartholomew, Local Union 289 • David D. Dudas, Local Union 52 • Tyronne Brewster, Local Union 769 • Dean Modecker, Local Union 455 • Jeff Padellaro, Local Union 633  
• Mike DeBuck, Local Union 289*