

**MODIFICATION AGREEMENT BETWEEN INTERSTATE BRANDS CORPORATION  
AND  
UNITED FOOD AND COMMERCIAL WORKERS INTERNATIONAL UNION,  
LOCALS 431 & 1546**

I. WHEREAS, Interstate Brands Corporation (“IBC” or “Company”) and the United Food and Commercial Workers International Union, Locals 431 & 1546 (“Union”) are parties to the collective bargaining agreement dated November 18, 2001 through November 20, 2004 and extended through November 17, 2007; and

II. WHEREAS, the United Food and Commercial Workers International Union, Locals 431 & 1546 recognizes that modifications are necessary in order for IBC successfully to restructure, secure exit financing and exit bankruptcy; and

III. WHEREAS, the United Food and Commercial Workers International Union, Locals 431 & 1546 desires to facilitate prompt agreement on modifications to the agreement; therefore,

IT IS AGREED, by and between IBC and the United Food and Commercial Workers International Union, Locals 431 & 1546 as follows:

<b>A. Definitions</b>	<ol style="list-style-type: none"> <li>1. “UFCW” means the United Food and Commercial Workers International Union, Locals 431 &amp; 1546.</li> <li>2. “Local Agreement” means the collective bargaining agreement in effect between the Union and IBC. Any reference to Local Agreement or collective bargaining agreement in this document shall be interpreted to include any and all Extension Agreements, side letters, supplemental agreements, appendices and memoranda that currently govern the respective terms and conditions of employment for employees subject to the Local Agreement.</li> <li>3. “Modification Agreement” means this agreement.</li> </ol>
<b>B. Best Efforts to Obtain Ratification</b>	The Union leadership agrees to exert every effort to obtain a fully ratified Modification Agreement by May 4, 2008, and to unanimously support and unanimously recommend ratification of such agreement.
<b>C. Effective Date</b>	The effective date of this Modification Agreement will be June 1, 2008.
<b>D. Term</b>	The Company and Union agree that all terms and conditions of employment contained in the Local Agreement shall be extended in full force and effect except as modified below to and including November 23, 2013.
<b>E. Wages</b>	<ol style="list-style-type: none"> <li>1. Hourly wages for employees covered by the Local Agreement shall be frozen (with no increases under the Local Agreement) at their rate in effect as of April 4, 2008, and shall be increased as follows:</li> </ol>

	<p>Effective July 6, 2008, increase by \$.25 per hour *</p> <p>Effective November 23, 2008, increase by \$.25 per hour *</p> <p>Effective November 22, 2009, increase by \$.25 per hour *</p> <p>Effective November 21, 2010, increase by \$.25 per hour *</p> <p>Effective November 20, 2011, increase by \$.30 per hour *</p> <p>Effective November 18, 2012, increase by \$.30 per hour *</p> <p>* The Union, upon three months' written notice to IBC, may elect to purchase pension from scheduled wage increases set forth above.</p> <p>The Company agrees that the new hire wage rate shall be no less than \$.25 above the minimum wage rate as required by State and/or Federal minimum wage law.</p>
<p><b>F. Health &amp; Welfare</b></p>	<ol style="list-style-type: none"> <li>1. As of January 1, 2008, the Company contributes \$3.99 per hour per eligible employee to the UFCW and Employers Midwest Benefits Fund to provide health and welfare benefits.</li> <li>2. Effective July 1, 2008, the Company will contribute \$4.39 per hour per eligible employee. Full-time employees (employees who average 28 or more hours 3 out of 4 months) will contribute \$15.00 per week for family coverage or \$5.00 per week for individual coverage, via payroll deduction (on a pre-tax basis). Part-time employees (employees who average less than 28 hours 3 out of 4 months) will contribute \$5.00 per week for individual coverage, via payroll deduction (on a pre-tax basis). Employees who choose to opt-out will not be subject to a payroll deduction.</li> <li>3. Effective November 1, 2008, November 1, 2009, November 1, 2010, November 1, 2011, and November 1, 2012, the Company will increase, if necessary to maintain benefits, its contribution up to 10% above the Company's contribution rate immediately preceding the above dates. If the contribution rate increase falls below the 10% cap, the Company agrees to pay the full amount of the increase and one-half of the percentage increase not used up to the 10% will be given back to the employees by reducing their weekly contribution or increasing their wages.</li> </ol> <p>Note: It is understood that at no time during this agreement shall the Company's contribution rate exceed the rate required for Grocer</p>

	<p>employers under the same Welfare Fund.</p> <p>4. Should the UFCW and Employers Midwest Benefits Fund offer a less expensive health and welfare plan, the parties agree to meet to discuss the potential application of these savings.</p>								
<b>G. Pension</b>	<p>For all employees hired after June 1, 2008, pension contributions shall be as follows:</p> <table border="1"> <tr> <td>First 12 months of service</td> <td>No contribution</td> </tr> <tr> <td>13<sup>th</sup> – 36<sup>th</sup> month of service</td> <td>\$.32 per hour</td> </tr> <tr> <td>37<sup>th</sup> – 60<sup>th</sup> month of service</td> <td>\$.47 per hour</td> </tr> <tr> <td>After 60 months of service</td> <td>\$.57 per hour</td> </tr> </table>	First 12 months of service	No contribution	13 <sup>th</sup> – 36 <sup>th</sup> month of service	\$.32 per hour	37 <sup>th</sup> – 60 <sup>th</sup> month of service	\$.47 per hour	After 60 months of service	\$.57 per hour
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After 60 months of service	\$.57 per hour								
<b>H. Profit Sharing</b>	<p>Upon the effective date of a Plan of Reorganization, IBC agrees to adopt the Profit Sharing Program set forth as Appendix A. This provision shall remain in force and effect irrespective of the expiration date of any Local Agreement unless modified by the mutual agreement of the parties.</p>								
<b>I. Definitive Documentation</b>	<p>This Modification Agreement and its attachments constitute the complete agreement between the Company and the Union for modifications of the existing Local Agreement. The terms of this Modification Agreement shall supersede any inconsistent terms of the existing Local Agreement. To the extent not modified by the provisions contained in this Modification Agreement, the Local Agreement shall remain in full force and effect.</p>								
<b>J. Bargaining Demands</b>	<p>The parties agree that demands or proposals not achieved in negotiations are considered disposed of without agreement. Neither party shall attempt to rely upon the parties' proposals during negotiations to support any interpretation of the Local Agreement as modified by this Modification Agreement.</p>								
<b>K. Assumption</b>	<ol style="list-style-type: none"> <li>1. This Modification Agreement is subject to approval by the United States Bankruptcy Court for the Western District of Missouri (the "Court"). The Company will not submit this Modification Agreement to the Court until it is ratified by the Union membership.</li> <li>2. In the event that the Company is successful into entering into collective bargaining modification agreements of five years in duration with all UFCW represented employees, then as part of the plan of reorganization for the Company and its affiliates under Chapter 11 of the Bankruptcy Code, the Company will seek the assumption of the Local Agreement as modified by this Modification Agreement.</li> <li>3. Upon confirmation of the plan of reorganization for the Company and</li> </ol>								

its affiliates under Chapter 11 of the Bankruptcy Code, or the commencement of any other process in bankruptcy, that does not contemplate the assumption of the Local Agreement as modified by this Modification Agreement, then the terms and provisions of this Modification Agreement will no longer be in effect and the rights of the Union and the Company thereafter will be those as set forth in the Local Agreement as they existed prior to the Effective Date. The Union and its members shall not have any claim against the Company (including, without limitation, a claim for administrative expense, priority treatment, non-priority status or otherwise) during the period from the Effective Date through the termination of this Modification Agreement, except to the extent that the Company does not comply with the terms of the Local Agreement as modified by this Modification Agreement during such period.

4. Except to the extent set forth in this section, the Union and the Company reserve all of their rights and remedies under allocable law, including without limitation, Sections 365, 1113, and 114 of the Bankruptcy Code.

For United Food and Commercial Workers  
Union, Local 431

For Interstate Brands Corporation

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\_\_\_\_\_  
Date

\_\_\_\_\_  
\_\_\_\_\_  
Date

For United Food and Commercial Workers  
Union, Local 1546

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\_\_\_\_\_  
Date

## APPENDIX A -- PROFIT SHARING PROGRAM

1. Upon emergence from bankruptcy, IBC will establish a Profit Sharing Program for the benefit of all IBC union-represented, hourly or non-exempt employees based on the formulas, and subject to the terms and conditions set forth below.
2. Calculation of Profit Sharing Pool. Within 30 days following the completion of audited financial reports for each fiscal year through 2014, IBC shall establish a Profit Sharing Pool consisting of ten (10) percent of its net income; provided, however, that in calculating net income for purposes of this program IBC shall exclude (a) the amount of any required distributions to the Profit Sharing Pool; and (b) any unusual, special or non-recurring items (including specifically any increase or decrease arising out of resolution of IBC's legal dispute involving the ABA Retirement Plan).
3. Distribution of Profit Sharing Payments. The amounts contributed by IBC to the Profit Sharing Pool at the end of each fiscal year shall be distributed to IBC employees as follows:
  - a. Payments will be made within 30 days following finalization of the Profit Sharing Pool calculations.
  - b. Payments to UFCW-represented employees will be limited to employees in active or approved leave status as of the end of the applicable fiscal year who are represented by Local Unions that have ratified the applicable Modification Agreement.
  - c. Each eligible employee's individual profit-sharing payment shall be that percentage of the profit sharing pool that equals the percentage calculated by dividing the employee's gross W-2 earnings (prior to any elective deferrals) for the fiscal year for which such payments are allocated by the gross W-2 earnings (prior to any elective deferrals) during the fiscal year for all eligible employees.
  - d. Profit sharing payments shall be subject to all legally required deductions, including tax withholdings, FICA, and deductions required under state or local law.
4. Caps. The total Profit Sharing Pool shall be limited to \$25 million during the life of this agreement.
5. Exclusions. In the event that any union representing employees who would otherwise be eligible for profit sharing payments do not enter into an agreement with IBC providing for profit sharing, the amount of the profit sharing distribution, and the cap, shall be reduced on a pro rata basis using the W-2 income of non-participating and participating employees.
6. Conditions to Effectiveness. This profit sharing program shall be subject to the following conditions to its effectiveness; provided, however, that in the event the profit sharing program is not approved pursuant to this section, none of the other proposed contract modifications shall take effect.

- a. Approval by any potential investor whose investment is necessary to allow IBC to create a viable Plan of Reorganization;
  - b. Approval by the IBC Board of Directors;
  - c. Approval of this agreement by the Bankruptcy Court; and
  - d. Confirmation of a Plan of Reorganization in bankruptcy that includes this Profit Sharing Program.
7. Tax Qualifications. It is the intent of the parties that the Profit Sharing Program constitute a tax-qualified plan. In the event that any of the terms and conditions set forth above would preclude tax qualification, IBC may modify the terms to the extent, and only to the extent, to achieve such status.