

**INTERSTATE BAKERIES CORPORATION**  
**CORPORATE GOVERNANCE GUIDELINES**

**(Adopted September 23, 2003)**  
**(Revised December 2, 2003)**

The Board of Directors (the “Board”) of Interstate Bakeries Corporation (the “Corporation”) has adopted these Corporate Governance Guidelines (the “Guidelines”), which were developed and recommended to the Board by the Nominating/Corporate Governance Committee (the “Nominating Committee”) in order to assist the Board in the exercise of its responsibilities and to serve the best interests of the Corporation and its stockholders.

These Guidelines should be interpreted in the context of all applicable laws and the Corporation’s Certificate of Incorporation, bylaws, and other corporate governance documents. The Guidelines are necessarily subject to review and modification from time to time by the Board, as the Board may deem appropriate and in the best interests of the Corporation and its stockholders and as required by applicable laws and regulations.

**I. Role of the Board.**

On behalf of and for the benefit of the stockholders of the Corporation, the Board is to provide effective governance over the Corporation’s affairs and oversight of the Corporation’s business conducted by its employees, managers and officers under the direction of the chief executive officer (the “CEO”). The Board is elected by the stockholders to assure that the long-term interests of the stockholders are being served.

**II. Functions of the Board.**

**A. Management.** The Board has the duty to manage or to supervise the management of the business and affairs of the Corporation. In fulfilling the duty to manage or to supervise management of the Corporation, a director has a duty to spend the time and effort necessary in order to be informed about the business and affairs of the Corporation. In fulfilling the duty to manage or to supervise management of the Corporation’s business and affairs, a director also has a duty to act in the best interests of the Corporation and its stockholders.

**B. Appointment of Committee Members.** The Board shall at all times have an Audit Committee, a Compensation Committee and a Nominating Committee. All members of each such committee shall satisfy the independence standards required by the Securities and Exchange Commission (“SEC”), the New York Stock Exchange (“NYSE”) listed company rules and any other legal requirements as shall from time to time be in effect. The Board shall appoint the members of each such committee, upon the recommendation of the Nominating Committee. The charters of each of the Audit Committee, Compensation Committee and the Nominating Committee shall set forth, among other things, the purposes, duties and responsibilities, composition of, and qualifications of the members of, each such committee. The Board may from time to time establish other committees, subject to the bylaws and Delaware General Corporation Law.

### III. Composition of the Board.

**A. Size of the Board.** The Nominating Committee shall develop policies regarding the size and composition of the Board and make recommendations to the Board regarding changes to the size and composition of the Board.

**B. Independent Directors.** The Board shall be comprised of at least a majority of independent directors, as determined in accordance with the independence standards of the SEC, NYSE and any other applicable laws, rules and regulations as shall from time to time be in effect. No director will be deemed independent unless the Board affirmatively determines that the director has no material relationship with the Corporation, directly or as an officer, stockholder or partner of an organization that has a relationship with the Corporation. The Board has established the following standards to assist it in determining director independence:

1. A director will not be considered independent if:

(a) the director is or, within the preceding three years, was an employee, or an immediate family member of the director is, or within the preceding three years, was an executive officer, of the Corporation,

(b) the director or an immediate family member of the director is receiving or, within the preceding three years, has received more than \$100,000 per year in direct compensation from the Corporation or a subsidiary, other than director and committee compensation and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service),

(c) the director is or, within the preceding three years, was affiliated with or employed by, or an immediate family member of the director is or within the preceding three years, was affiliated with or employed in a professional capacity by, a present or former auditor of the Corporation,

(d) the director is or, within the past three years, was employed by, or an immediate family member of the director is or, within the past five years, was employed as an executive officer of, another company where any of the Corporation's present executives serve on that company's board of directors, or

(e) the director is or, within the past three years, was an executive officer or an employee of, or an immediate family member of the director is an executive officer of, a company that makes payments to or receives payments from the Corporation for property or services in any amount, which in any fiscal year exceeds the greater of 2% or \$1,000,000 of such other company's consolidated gross revenues.

2. If a director is a director, officer or trustee of a charitable organization and the Corporation's annual charitable contributions to the organization (exclusive of gift-

match payments) are greater than 1% of the organization's total annual charitable receipts the relationship will be considered material.

3. For relationships not described above or otherwise not covered in the above examples, a majority of the Corporation's independent directors, after considering all of the relevant circumstances, may make a determination whether or not such relationship is material and whether the director may therefore be considered independent under the NYSE rules. The Corporation shall explain the basis of any such determinations of independence in the next proxy statement.

4. The term "immediate family member" includes a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone who shares such person's home.

5. The Nominating Committee and the Board shall review, on an annual basis, the independence of the members of the Board.

### **C. Qualifications.**

1. Members of the Board shall be persons who have the highest personal and professional integrity and who have demonstrated the kind of ability and judgment to work effectively with other members of the Board to serve the long-term interests of the stockholders. Members should act in a thorough and inquisitive manner, be objective and have practical wisdom and mature judgment. The Corporation endeavors to have a Board representing diverse experience at policy-making levels in business, government, education and technology, and in areas that are relevant to the Corporation's activities. Diversity of race, ethnicity, gender and age are also important factors in evaluating candidates for Board membership.

2. Directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively and should be committed to serve on the Board and its committees for an extended period of time. Directors should offer their resignation in the event of any significant change in their personal circumstances, including a change in their principal job responsibilities. The remaining directors, upon recommendation of the Nominating Committee, will then determine the appropriateness of continued Board membership.

3. Directors who also serve as CEOs or in equivalent positions should not serve on more than two boards of public companies in addition to the Board, and other directors should not serve on more than four other boards of public companies in addition to the Board. Current positions in excess of these limits may be maintained unless the Board determines that doing so would impair the director's service on the Board.

4. The Board does not believe that arbitrary term limits on directors' service are appropriate nor does it believe that directors should expect to be re-nominated at the expiration of their term. The Board self-evaluation process described below will be an important determinant for board tenure.

5. The Corporation believes that each director should have a substantial personal investment in the Corporation. Therefore, within five (5) years of the date hereof for each current non-employee Director, or within five (5) years of becoming a Director for each non-employee Director appointed after the date hereof, each non-employee Director must purchase common stock of the Corporation with a value of at least \$100,000, which value shall be determined as of the date of the investment.

#### **IV. The Election of the Board of Directors.**

**A. Election of the Board of Directors.** Except as noted below for vacancies, members of the Board shall be elected by the stockholders of the Corporation each year at the Corporation's annual meeting as provided for in the Corporation's bylaws. The Board may fill vacancies in existing or new director positions. Any director appointed by the Board to fill a vacancy will serve for the unexpired term of his or her predecessor.

**B. Nominations for Election to the Board of Directors.** The Nominating Committee shall recommend to the Board, as needed, nominees for election as directors. Effective on and after October 1, 2003, no person shall be nominated by the Nominating Committee to serve as a director after he or she has reached his or her 73<sup>rd</sup> birthday.

#### **V. Meetings of the Board of Directors.**

**A. Meetings of the Board.** The Board shall have a regular meeting at least 5 times a year, as determined by the Board, and may have special meetings as called pursuant to the Corporation's bylaws. A director is expected to regularly attend meetings of the Board and of those committees of the Board on which a director may sit and to spend the time needed to properly discharge his or her responsibilities. Each member of the Board is required to attend the annual organizational meeting of the Board.

**B. Board Meeting Agenda.** The Chairperson of the Board shall set the date, time, place and length of each meeting and the agenda of items to be addressed at each meeting, which agenda shall be circulated in advance of the meeting. Any director may suggest items for the Board agenda.

**C. Meeting Materials.** Information, data and other materials relevant to the matters to be considered at each meeting of the Board shall be, to the extent practicable, distributed in writing or electronically to all members of the Board sufficiently prior to the meeting to permit review by members of the Board in advance of the meeting.

**D. Meetings of Non-Management Directors.** Non-management directors of the Corporation shall have a regular meeting in executive session without the presence of the Corporation's management at least 2 times a year, as determined by the Board. At the first Board meeting following the annual meeting of stockholders, the independent directors will select a director to preside at the executive sessions for the succeeding year by majority vote of such directors.

**E. Director Access to Officers and Employees.** The Board shall have access to all officers and employees of the Corporation and any of its subsidiaries for the purposes of

obtaining all the information necessary for the Board to fulfill its duties. The Board may establish a procedure by which it will make inquiry of officers and employees. Further, the Corporation's management, at the discretion of the Board, is permitted to invite any officer or employee to any meeting of the Board at which such person's presence and expertise would be helpful to the Board in having a full understanding of an issue under consideration.

**F. Director Access to Independent Advisors.** The Board shall also have the authority to obtain advice and seek assistance from internal and external legal, accounting and other advisors, as it deems appropriate. The Board shall have sole authority to approve the fees of such consultants or advisors and other retention terms as it deems appropriate, all at the Corporation's expense.

#### **VI. Reliance by the Board on Others.**

The Board, and each member of the Board in his or her capacities as such, shall be entitled to rely, in good faith, upon the records of the Corporation and upon such information, opinions, reports or statements, or other information prepared or presented to the Corporation by (i) any of the officers or other employees of the Corporation or its subsidiaries whom the Committee or such member believes to be reliable and competent in the matters presented, (ii) counsel, independent auditors, other public accountants, consultants or other persons as to matters which the member or Board believes to be within the professional competence of such person, or (iii) another committee of the Board as to matters within its designated authority which the Board or member believes to merit confidence.

#### **VII. Compensation of Directors.**

**A. Non-Management Directors.** Each director of the Corporation who is not simultaneously employed as an executive officer or retained as a consultant by the Corporation will be properly compensated and reimbursed for his or her service as a director.

**B. Executive Officers on the Board.** Executive officers of the Corporation who serve on the Board shall not receive any additional compensation from the Corporation in exchange for their services as directors.

**C. Compensation of Directors on the Audit Committee.** The only compensation that directors of the Corporation who serve on the Corporation's Audit Committee may receive is director's fees. Director's who serve on the Audit Committee may receive higher compensation than directors who do not serve on the Audit Committee.

**D. Review and Report Regarding Director Compensation.** The Compensation Committee shall periodically review the Corporation's director compensation practices in relation to other U.S. companies of comparable size and to the Corporation's competitors. Any change in director compensation shall require the recommendation of the Compensation Committee, with full consideration and agreement by the full Board.

**E. Form of Director Fees.** The fees for directors, including directors on the Audit Committee, may be received in the form of cash and/or stock, options, or other in-kind consideration ordinarily made available to corporate directors.

## **VIII. Director Orientation and Continuing Education.**

The Corporation shall provide each new director with a director orientation program to familiarize each director with, among other things, the Corporation's business, strategic plans, significant financial, accounting and risk management issues, compliance programs, conflicts policies, Code of Ethics, Policy on Insider Trading and Handling of Nonpublic Information, Section 16 Reporting Policy, Corporate Governance Guidelines, Disclosure Controls and Procedures, principal officers, and internal and independent auditors. Management will make presentations from time to time as necessary to ensure that the Board is aware of all business, legal and other developments relating to such matters. Further, each director is strongly encouraged to participate in independent continuing director educational programs as are necessary in order to maintain the requisite level of expertise to perform his or her responsibilities as a director, including programs addressing legal, financial and regulatory issues.

## **IX. Evaluation of Officers; Succession Planning.**

**A. Evaluation of Officers.** The Compensation Committee shall on an annual basis (i) perform an evaluation of the CEO and (ii) review the CEO's performance evaluation of the CEO's direct reports and the three Executive Vice Presidents.

**B. Succession Planning.** The Compensation Committee shall, with input from the CEO and other members of management, as appropriate, approve a succession plan for the CEO and the other executive officers of the Corporation and its subsidiaries and shall revise the plans on an ongoing basis, as deemed necessary or appropriate by the CEO or the Compensation Committee. To assist the Compensation Committee in making its evaluation of potential successors to the position of CEO the sitting CEO shall present to the Compensation Committee, on an annual basis or more frequently as needed, a report providing an assessment of senior managers and their respective potential to succeed the CEO and other senior executive officers. In addition, the CEO shall include in such annual report, revising the report on an ongoing basis as needed, a short-term emergency succession plan which sets forth the temporary delegation of authority to certain officers of the Corporation if the CEO or other senior executive officers, should unexpectedly become unable to perform their duties. The short-term succession plan shall provide for such a delegation of authority until the Board has an opportunity to appoint a permanent successor.

## **X. Annual Performance Evaluation of the Board of Directors.**

The Nominating Committee shall lead the Board in its annual performance evaluation. In making such evaluation, the Nominating Committee shall solicit comments from all persons it deems relevant, make a report to the Board with an assessment of the performance of the Board and make recommendations for improvements.

## **XI. Board Interaction with Stockholders, the Press, Customers, Etc.**

The CEO and, as appropriate, designated members of senior management speak for the Corporation. Individual directors may, on occasion and with the knowledge of management, meet or otherwise communicate with interested parties. Absent unusual circumstances or as

contemplated by the committee charters, such communications will be made only at the request of management.

Interested parties who wish to make their concerns known by communicating directly with the presiding non-management director or with the non-management directors as a group may do so in writing addressed to the attention of the Corporation Secretary.

**XII. Adequacy of Guidelines.**

The Nominating Committee shall review the adequacy of these guidelines on an annual basis and recommend any proposed changes to the Board for approval.