

TRANSITION AGREEMENT

This Transition Agreement (“Agreement”) is made by and between Lund Food Holdings, Inc. (the “Company”) and United Food & Commercial Workers Local 1189, including its affiliate the United Food & Commercial Workers International Union (the “Union”), collectively the “Parties”.

WHEREAS, the Company has discussed with the Union its interest in acquiring the assets of certain Rainbow Foods (“Rainbow”) stores;

WHEREAS, employees of those Rainbow stores are represented by the Union pursuant to a collective bargaining agreement (“Rainbow CBA”);

WHEREAS, employees of the Company’s Lunds and Byerly’s banners are also represented by the Union pursuant to a collective bargaining agreement (“Lund Food Holdings, Inc. CBA”);

WHEREAS, following the asset purchase, the Company will operate the former Woodbury location Rainbow store as a Company store (the “Store”); and

WHEREAS, the Parties have a mutual interest in ensuring a smooth transition and labor peace following the acquisition of the Store, including minimizing the risk of any grievances, litigation, or other disputes regarding their contractual rights and obligations in connection with the acquisition of the Store;

NOW, THEREFORE, the Parties agree as follows:

1. The Company will have the right to utilize employees from its Lunds and Byerly’s stores at the Store to assist during the transition of the Store to the Company’s products.
2. Following the execution of an Asset Purchase Agreement (“APA”), the Company will begin the hiring process.
3. In order to facilitate the hiring process, the Company shall be permitted to hold job fairs for affected Rainbow employees at the Union Hall.
4. While the Company is not required to interview or hire Rainbow employees, the Company will give consideration to hiring those Rainbow applicants that have been continuously employed at the Store on or before January 1, 2014 until the date of their application.
5. All applicants will be subject to the Company’s normal screening procedures for applicants, including, but not limited to, post-offer, pre-employment drug tests.
6. The Company will not assume the Rainbow CBA. Instead, the Company will unilaterally set the initial terms and conditions of employment at the Store to be included and communicated in its offers of employment to Rainbow applicants, other applicants, and/or transferees from its Lunds and Byerly’s stores. The initial terms and conditions of employment will include, but not be limited to, the following:
 - a. All Rainbow applicants hired will be required to pass a 60-day probationary period. The Company has the option to request a 30-day extension of the 60-day probationary period for all Rainbow applicants hired.

- b. The seniority date for Rainbow applicants hired prior to or within 90 days following the date the transaction is closed will be the date on which the APA is signed (if they remain employed past their probationary period). For purposes of determining seniority between Rainbow applicants who have a seniority date as of the date on which the APA is signed, the Rainbow applicants will be slotted amongst themselves according to their Rainbow seniority date.
 - c. All Rainbow applicants hired will not have any paid vacation during their first year of employment but may take unpaid vacations. Credit for prior service with Rainbow may be granted only for purposes of determining eligibility for unpaid vacation during the first year of employment and for paid vacation in subsequent years.
7. With respect to Rainbow applicants hired at a current Company store (not the Store acquired from Rainbow), the Company will have the option in its sole discretion of either (a) maintaining the person's rate of pay and job classification, in which case the provisions of paragraph 6, above, will apply, or (b) treating the person as a new hire for all purposes. The Company will notify the Union within 30 days following the person's hire date whether it will apply option (a) or (b) of this paragraph.
8. If the Union is entitled to recognition as the collective bargaining representative of the employees at the Store pursuant to the National Labor Relations Act ("NLRA"), the terms of the Lund Food Holdings, Inc. CBA will apply to the Store, except that the Lund Food Holdings, Inc. CBA will be amended and modified wherever and to the extent necessary to continue in full force and effect the initial terms set forth in paragraph 6(a) through (c) above.
9. This is a complete statement of the Parties' Agreement.

Lund Food Holdings, Inc.

Jim Geisler, Chief Operating Officer

Date: _____

**UNITED FOOD AND COMMERCIAL WORKERS UNION
LOCAL 1189**

Don Seaquist, President

Date: _____