

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the three months ended March 31, 2019

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to
Commission file number 001-37540



HOSTESS BRANDS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

**1 East Armour Boulevard
Kansas City, MO**

(Address of principal executive offices)

47-4168492

(I.R.S. Employer
Identification No.)

64111

(Zip Code)

(816) 701-4600

Registrant's telephone number, including area code

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.:

Large accelerated filer

Accelerated
filer

Non-accelerated
filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

Title of each Class

Class A Common Stock, Par Value of \$0.0001 per share

Warrants, each exercisable for a half share of Class A Common Stock

Ticker Symbol

TWNK

TWINKW

Name of each exchange on which registered

NASDAQ Capital Market

NASDAQ Capital Market

Shares of Class A common stock outstanding - 101,301,842 shares at May 8, 2019

Shares of Class B common stock outstanding - 28,999,784 shares at May 8, 2019

HOSTESS BRANDS, INC.
FORM 10-Q
For the Quarter Ended March 31, 2019

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Cautionary Note Regarding Forward Looking Statements

This Quarterly Report on Form 10-Q contains statements reflecting our views about our future performance that constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that involve substantial risks and uncertainties. All statements contained in this Quarterly Report other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, and our objectives for future operations, are forward-looking statements. Statements that constitute forward-looking statements are generally identified through the inclusion of words such as “believes,” “expects,” “intends,” “estimates,” “projects,” “anticipates,” “will,” “plan,” “may,” “should,” or similar language. Statements addressing our future operating performance and statements addressing events and developments that we expect or anticipate will occur are also considered as forward-looking statements. All forward-looking statements included herein are made only as of the date hereof. It is routine for our internal projections and expectations to change throughout the year, and any forward-looking statements based upon these projections or expectations may change prior to the end of the next quarter or year. Readers of this Quarterly Report are cautioned not to place undue reliance on any such forward-looking statements. As a result of a number of known and unknown risks and uncertainties, our actual results or performance may be materially different from those expressed or implied by these forward-looking statements. Risks and uncertainties are identified under “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2018, as updated by subsequent filings. All subsequent written or oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these risk factors. We undertake no obligation to update any forward-looking statement, whether as a result of new information, future events, or otherwise. The discussion and analysis of our financial condition and results of operations included in Item 2- Management’s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our Consolidated Financial Statements and related notes included in Item 1 of this Quarterly Report.

HOSTESS BRANDS, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited, amounts in thousands, except shares and per share data)

ASSETS	March 31,	December 31,
	2019	2018
Current assets:		
Cash and cash equivalents	\$ 160,483	\$ 146,377
Accounts receivable, net	129,231	105,679
Inventories	43,158	38,580
Prepays and other current assets	5,695	8,806
Total current assets	338,567	299,442
Property and equipment, net	221,636	220,349
Intangible assets, net	1,895,231	1,901,215
Goodwill	575,645	575,645
Other assets, net	12,761	14,062
Total assets	\$ 3,043,840	\$ 3,010,713
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Long-term debt and lease obligations payable within one year	\$ 13,243	\$ 11,268
Tax receivable agreement payments payable within one year	3,700	4,400
Accounts payable	74,648	65,288
Customer trade allowances	44,114	42,010
Accrued expenses and other current liabilities	18,950	18,137
Total current liabilities	154,655	141,103
Long-term debt and lease obligations	974,440	976,736
Tax receivable agreement	63,145	64,663
Deferred tax liability	275,238	277,954
Total liabilities	1,467,478	1,460,456
Commitments and Contingencies (Note 10)		
Class A common stock, \$0.0001 par value, 200,000,000 shares authorized, 100,046,442 and 100,046,392 shares issued and outstanding at March 31, 2019 and December 31, 2018, respectively	10	10
Class B common stock, \$0.0001 par value, 50,000,000 shares authorized, 30,255,184 shares issued and outstanding at March 31, 2019 and December 31, 2018	3	3
Additional paid in capital	927,570	925,902
Accumulated other comprehensive income	1,307	2,523
Retained earnings	292,491	271,365
Stockholders' equity	1,221,381	1,199,803
Non-controlling interest	354,981	350,454
Total liabilities and stockholders' equity	\$ 3,043,840	\$ 3,010,713

See accompanying notes to the unaudited consolidated financial statements.

HOSTESS BRANDS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, amounts in thousands, except shares and per share data)

	Three Months Ended	
	March 31, 2019	March 31, 2018
Net revenue	\$ 222,738	\$ 208,743
Cost of goods sold	147,550	137,502
Gross profit	75,188	71,241
Operating costs and expenses:		
Advertising and marketing	8,863	8,870
Selling expense	8,520	7,387
General and administrative	17,471	14,562
Amortization of customer relationships	5,985	5,994
Other operating expense (income)	(1,761)	1,556
Total operating costs and expenses	39,078	38,369
Operating income	36,110	32,872
Other expense (income):		
Interest expense, net	10,236	9,340
Gain on buyout of tax receivable agreement	—	(12,372)
Other expense	440	83
Total other expense (income)	10,676	(2,949)
Income before income taxes	25,434	35,821
Income tax expense (benefit)	(1,178)	6,519
Net income	26,612	29,302
Less: Net income attributable to the non-controlling interest	5,486	5,461
Net income attributable to Class A stockholders	\$ 21,126	\$ 23,841
Earnings per Class A share:		
Basic	\$ 0.21	\$ 0.24
Diluted	\$ 0.21	\$ 0.23
Weighted-average shares outstanding:		
Basic	100,085,141	99,895,075
Diluted	100,777,609	105,041,015

See accompanying notes to the unaudited consolidated financial statements.

HOSTESS BRANDS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited, amounts in thousands)

	Three Months Ended	
	March 31, 2019	March 31, 2018
Net income	\$ 26,612	\$ 29,302
Other comprehensive income (loss):		
Unrealized gain (loss) on interest rate swap contract designated as a cash flow hedge	(2,165)	3,739
Tax benefit (expense)	447	(787)
Comprehensive income	24,894	32,254
Less: Comprehensive income attributed to non-controlling interest	4,984	6,331
Comprehensive income attributed to Class A stockholders	<u>\$ 19,910</u>	<u>\$ 25,923</u>

See accompanying notes to the unaudited consolidated financial statements.

HOSTESS BRANDS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited, amounts in thousands except share data)

	Class A Voting Common Stock		Class B Voting Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total Stockholders' Equity	Non- controlling Interest
	Shares	Amount	Shares	Amount					
Balance—December 31, 2017	99,791,245	\$ 10	30,319,564	\$ 3	\$ 920,723	\$ 1,318	\$ 208,279	\$ 1,130,333	\$ 342,240
Comprehensive income	—	—	—	—	—	2,082	23,841	25,923	6,331
Share-based compensation, including income taxes of \$98	59,989	—	—	—	1,721	—	—	1,721	—
Adoption of new accounting standards, net of income taxes of \$83	—	—	—	—	—	7	191	198	85
Exchanges	64,380	—	(64,380)	—	1,033	—	—	1,033	(1,033)
Distributions	—	—	—	—	—	—	—	—	(4,153)
Payment of taxes for employee stock awards	—	—	—	—	(407)	—	—	(407)	—
Tax receivable agreement arising from exchanges, net of income taxes of \$50	—	—	—	—	(350)	—	—	(350)	—
Balance—March 31, 2018	<u>99,915,614</u>	<u>\$ 10</u>	<u>30,255,184</u>	<u>\$ 3</u>	<u>\$ 922,720</u>	<u>\$ 3,407</u>	<u>\$ 232,311</u>	<u>\$ 1,158,451</u>	<u>\$ 343,470</u>
Balance—December 31, 2018	100,046,392	\$ 10	30,255,184	\$ 3	\$ 925,902	\$ 2,523	\$ 271,365	\$ 1,199,803	\$ 350,454
Comprehensive income (loss)	—	—	—	—	—	(1,216)	21,126	19,910	4,984
Share-based compensation, net of income taxes of \$613	—	—	—	—	1,668	—	—	1,668	—
Distributions	—	—	—	—	—	—	—	—	(457)
Exercise of public warrants	50	—	—	—	—	—	—	—	—
Balance—March 31, 2019	<u>100,046,442</u>	<u>\$ 10</u>	<u>30,255,184</u>	<u>\$ 3</u>	<u>\$ 927,570</u>	<u>\$ 1,307</u>	<u>\$ 292,491</u>	<u>\$ 1,221,381</u>	<u>\$ 354,981</u>

See accompanying notes to the unaudited consolidated financial statements.

HOSTESS BRANDS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, amounts in thousands)

	Three Months Ended	
	March 31, 2019	March 31, 2018
Operating activities		
Net income	\$ 26,612	\$ 29,302
Depreciation and amortization	10,878	10,091
Impairment of property and equipment	—	1,417
Debt premium amortization	(228)	(271)
Tax receivable agreement remeasurement and gain on buyout	(1,761)	(12,372)
Share-based compensation	2,281	1,623
Deferred taxes	(2,882)	4,786
Change in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(23,552)	(11,437)
Inventories	(4,578)	2,006
Prepays and other current assets	2,917	2,055
Accounts payable and accrued expenses	16,594	11,560
Customer trade allowances	2,104	(438)
Net cash provided by operating activities	<u>28,385</u>	<u>38,322</u>
Investing activities		
Purchases of property and equipment	(9,493)	(8,019)
Acquisition of business	—	(23,910)
Acquisition and development of software assets	(1,342)	(558)
Net cash used in investing activities	<u>(10,835)</u>	<u>(32,487)</u>
Financing activities		
Repayments of long-term debt and lease obligations	(2,530)	(2,526)
Distributions to non-controlling interest	(457)	(4,153)
Tax payments related to issuance of shares to employees	—	(407)
Payments on tax receivable agreement	(457)	(34,000)
Net cash used in financing activities	<u>(3,444)</u>	<u>(41,086)</u>
Net increase (decrease) in cash and cash equivalents	14,106	(35,251)
Cash and cash equivalents at beginning of period	146,377	135,701
Cash and cash equivalents at end of period	<u>\$ 160,483</u>	<u>\$ 100,450</u>

Supplemental Disclosures of Cash Flow Information:

Cash paid during the period for:		
Interest	\$ 11,087	\$ 9,942
Net taxes paid (refunded)	\$ (10)	\$ 507
Supplemental disclosure of non-cash investing:		
Accrued capital expenditures	\$ 1,436	\$ 642

See accompanying notes to the unaudited consolidated financial statements.

HOSTESS BRANDS, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Description of Business

Hostess Brands, Inc. is a Delaware corporation headquartered in Kansas City, Missouri. The consolidated financial statements include the accounts of Hostess Brands, Inc. and its subsidiaries (collectively, the “Company”). The Company is a leading packaged food company focused on developing, manufacturing, marketing, selling and distributing fresh sweet baked goods in the United States.

The Company’s operations are conducted through indirect operating subsidiaries that are wholly-owned by Hostess Holdings, L.P. (“Hostess Holdings”), a direct subsidiary of Hostess Brands, Inc. Hostess Brands, Inc. holds 100% of the general partnership interest in Hostess Holdings and a majority of the limited partnership interests therein and consolidates Hostess Holdings in the Company’s consolidated financial statements. The remaining limited partnership interests in Hostess Holdings are held by the holders of the outstanding shares of Class B common stock of Hostess Brands, Inc. These limited partnership interests in Hostess Holdings are reflected in the consolidated financial statements as a non-controlling interest.

Basis of Presentation

The consolidated financial statements included herein have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) and the rules and regulations of the Securities and Exchange Commission (“SEC”). In the opinion of management, the unaudited consolidated financial statements include all adjustments necessary for the fair presentation of the Company’s financial position and of the results of operations and cash flows for the periods presented, and all such adjustments were of a normal and recurring nature. The results of operations are not necessarily indicative of the results to be expected for the full fiscal year. The accompanying unaudited consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements and notes thereto for the fiscal year ended December 31, 2018.

The Company has two reportable segments: Sweet Baked Goods and In-Store Bakery.

Adoption of New Accounting Standards

On January 1, 2019, the Company adopted Accounting Standards Update (“ASU”) No. 2016-02, *Leases*, along with the related ASUs 2018-01, 2018-10 and 2018-11 (collectively, “Topic 842”). Topic 842 is intended to improve financial reporting of leasing transactions and requires a lessee to record on the balance sheet the assets and liabilities for the rights and obligations created by lease terms of more than 12 months. To adopt this standard, the Company utilized a modified retrospective transition method. Under this approach, the results for reporting periods beginning January 1, 2019 are presented under Topic 842. Prior period amounts are not adjusted and continue to be reported in accordance with the historic accounting standards. There was no cumulative effect of applying Topic 842 to the opening balance of retained earnings. The Company has elected to apply the practical expedients under Topic 842 which allow entities to not reassess the lease classification for expired or existing leases and to not reassess if expired or existing contracts contain leases under the Topic 842 definition. The Company has also elected to use hindsight when determining the lease term of existing leases. As a result of the adoption, on January 1, 2019, the Company recognized right of use assets of \$8.2 million, offset by associated accumulated amortization of \$5.2 million and corresponding lease liabilities of \$3.0 million. The recognition of leases subsequent to the adoption of Topic 842 is further described in the Leases section of this footnote.

HOSTESS BRANDS, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its majority-owned or controlled subsidiaries (including those for which the Company is the primary beneficiary of a variable interest entity). All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and for the reported amounts of revenues and expenses during the reporting period. Management utilizes estimates, including, but not limited to, valuation and useful lives of tangible and intangible assets, valuation of expected future payments under the tax receivable agreement, and reserves for trade and promotional allowances. Actual results could differ from these estimates.

Accounts Receivable

Accounts receivable represents amounts invoiced to customers for performance obligations which have been satisfied. As of March 31, 2019 and December 31, 2018, the Company's accounts receivable were \$129.2 million and \$105.7 million, respectively, which have been reduced by an allowance for damages occurring during shipment, quality claims and doubtful accounts in the amount of \$3.3 million and \$2.6 million, respectively. In addition, there were customer trade allowances of \$44.1 million and \$42.0 million as of March 31, 2019 and December 31, 2018, respectively, in current liabilities in the consolidated balance sheets.

Inventories

Inventories are stated at the lower of cost or net-realizable value on a first-in first-out basis.

Abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage) are expensed in the period they are incurred.

The components of inventories are as follows:

(In thousands)	March 31, 2019	December 31, 2018
Ingredients and packaging	\$ 18,064	\$ 18,865
Finished goods	21,428	16,446
Inventory in transit to customers	3,666	3,269
	<u>\$ 43,158</u>	<u>\$ 38,580</u>

Impairment of Property and Equipment

For the three months ended March 31, 2018, the Company recorded an impairment loss of \$1.4 million related to the planned disposition of certain production equipment before the end of its useful life. This loss is included in other operating expenses on the consolidated statement of operations. The measurement of this loss was based on Level 3 inputs within the fair value measurement hierarchy.

HOSTESS BRANDS, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Software Costs

Included in “Other assets, net” in the consolidated balance sheets is capitalized software in the amount of \$9.3 million and \$8.5 million at March 31, 2019 and December 31, 2018, respectively. Capitalized software costs are amortized over their estimated useful life of five years commencing when such assets are ready for their intended use. Software amortization expense included in general and administrative was \$0.7 million for the three months ended March 31, 2019, compared to \$0.7 million for the three months ended March 31, 2018.

Concentrations

The Company has one customer (together with its affiliates) that accounted for 10% or more of the Company’s total net revenue. The percentage of total net revenues for this customer is presented below by segment:

(% of Consolidated Net Revenues)	Three Months Ended	
	March 31, 2019	March 31, 2018
Sweet Baked Goods	23.5 %	21.3 %
In-Store Bakery	0.6 %	0.6 %
Total	<u>24.1 %</u>	<u>21.9 %</u>

Leases

Subsequent to its adoption of Topic 842, the Company recognizes a right of use asset and corresponding lease liability on the consolidated balance sheet for all lease transactions with terms of more than 12 months. Agreements are determined to contain a lease if they convey the use and control of an underlying physical asset. Based on the nature of the lease transaction, leases are either classified as financing or operating. Under both classifications, the right of use asset and liability are initially valued based on the present value of the future minimum lease payments using an effective borrowing rate at the inception of the lease. The Company determined the effective borrowing rate based on its expected incremental borrowing rate on collateralized debt. At March 31, 2019, the weighted average effective borrowing rates for outstanding financing and operating leases were 6.8% and 4.7%, respectively.

Under a financing lease, interest expense related to the lease liability is recognized over the lease term using an effective interest rate method and right of use assets are amortized straight-line over the term of the lease. Under an operating lease, minimum lease payments are expensed straight-line over the lease term, lease liabilities are amortized using an effective interest rate method and right of use assets are reduced based on the excess of the sum of the straight-line lease expense and the reduction of the lease liability over the actual lease payments. At March 31, 2019, the average remaining terms on both financing leases and operating leases were approximately one year.

Variable lease payments, such as taxes and insurance, are expensed as incurred. Expenses related to leases with original terms less than 12 months (short-term leases) are expensed as incurred. For all agreements related to distribution, bakery and corporate facilities, the Company has elected not to separate non-lease components from lease components.

HOSTESS BRANDS, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The table below shows the composition of lease expenses for the period subsequent to the adoption of Topic 842:

(In thousands)	Three Months Ended March 31, 2019	
Amortization of right of use asset, financing lease	\$	44
Interest, financing lease		7
Operating lease expense		641
Short-term lease expense		400
Variable lease expense		188
	<u>\$</u>	<u>1,280</u>

At March 31, 2019, right of use assets related to both operating and financing leases are included in property and equipment, net on the consolidated balance sheet (see Note 2 Property and Equipment). As of March 31, 2019, lease liabilities for both operating and financing leases are included in the current and non-current portions of long-term debt and lease obligations on the consolidated balance sheet (see Note 6 Debt and Lease Obligations).

In April 2019, the Company entered into a 6.5 year lease, with the option to renew for two additional five-year periods, for a distribution facility in Kansas. The lease term will commence upon completion of construction of the facility, which is expected to occur by the first quarter of 2020. During the initial lease term, average annual minimum lease payments are expected to be \$2.3 million.

2. Property and Equipment

Property and equipment consists of the following:

(In thousands)	March 31, 2019	December 31, 2018
Land and buildings	\$ 42,698	\$ 47,418
Right of use assets, financing	1,570	—
Right of use assets, operating	8,155	—
Machinery and equipment	203,320	194,830
Construction in progress	3,794	6,059
	<u>259,537</u>	<u>248,307</u>
Less accumulated depreciation and amortization	<u>(37,901)</u>	<u>(27,958)</u>
	<u>\$ 221,636</u>	<u>\$ 220,349</u>

Depreciation and amortization expense was \$4.2 million for the three months ended March 31, 2019, compared to \$3.4 million for the three months ended March 31, 2018.

3. Segment Reporting

The Company has two reportable segments: Sweet Baked Goods and In-Store Bakery. The Company's Sweet Baked Goods segment consists of fresh and frozen baked goods and bread products that are sold under the Hostess®, Dolly Madison®, Cloverhill® and Big Texas® brands. The In-Store Bakery segment consists primarily of Superior on Main® branded and private label products sold through the in-store bakery section of grocery and club stores.

HOSTESS BRANDS, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The Company evaluates performance and allocates resources based on net revenue and gross profit. Information regarding the operations of these reportable segments is as follows:

(In thousands)	Three Months Ended	
	March 31, 2019	March 31, 2018
Net revenue:		
Sweet Baked Goods	\$ 212,879	\$ 199,293
In-Store Bakery	9,859	9,450
Net revenue	<u>\$ 222,738</u>	<u>\$ 208,743</u>
Depreciation and amortization:		
Sweet Baked Goods	\$ 10,180	\$ 9,394
In-Store Bakery	698	697
Depreciation and amortization	<u>\$ 10,878</u>	<u>\$ 10,091</u>
Gross profit:		
Sweet Baked Goods	\$ 73,145	\$ 69,438
In-Store Bakery	2,043	1,803
Gross profit	<u>\$ 75,188</u>	<u>\$ 71,241</u>
Capital expenditures (1):		
Sweet Baked Goods	\$ 4,262	\$ 9,165
In-Store Bakery	152	54
Capital expenditures	<u>\$ 4,414</u>	<u>\$ 9,219</u>

(1) Capital expenditures consists of purchases of property and equipment and acquisition and development of software assets paid in cash or acquired through accounts payable during the three months ended March 31, 2019 and 2018. From December 31, 2018 to March 31, 2019, capital expenditures in accounts payable decreased by \$6.4 million. From December 31, 2017 to March 31, 2018 capital expenditures in accounts payable increased by \$0.6 million.

Total assets by reportable segment are as follows:

(In thousands)	March 31, 2019	December 31, 2018
Total segment assets:		
Sweet Baked Goods	\$ 2,957,355	\$ 2,924,333
In-Store Bakery	86,485	86,380
Total segment assets	<u>\$ 3,043,840</u>	<u>\$ 3,010,713</u>

At October 1, 2018, the estimated fair value of the In-Store Bakery reporting unit was less than its carrying value and the Company recognized an impairment charge to In-Store Bakery's goodwill. Changes in certain significant assumptions could have a significant impact on the estimated fair value, and therefore, a future impairment or additional impairments could result for a portion of goodwill, long-lived assets or intangible assets. The measurement of the impairment charge was based on Level 3 inputs within the fair value measurement hierarchy. Management identified no events through March 31, 2019 which would require the Company to reassess the fair value of either reporting unit.

HOSTESS BRANDS, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

4. Intangible Assets

Intangible assets consist of the following:

<u>(In thousands)</u>	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Intangible assets with indefinite lives (Trademarks and Trade Names)	\$ 1,410,497	\$ 1,410,497
Intangible assets with definite lives (Customer Relationships)	543,149	543,120
Less accumulated amortization (Customer Relationships)	(57,815)	(51,802)
Less accumulated impairment charges (Trademarks and Trade Names)	(600)	(600)
Intangible assets, net	<u>\$ 1,895,231</u>	<u>\$ 1,901,215</u>

Amortization expense was \$6.0 million for the three months ended March 31, 2019 and \$6.0 million for the three months ended March 31, 2018. The unamortized portion of customer relationships will be expensed over their remaining useful lives, from 18 to 23 years. The weighted-average amortization period as of March 31, 2019 for customer relationships was 20.3 years.

5. Accrued Expenses and Other Current Liabilities

Included in accrued expenses and other current liabilities are the following:

<u>(In thousands)</u>	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Incentive compensation	\$ 5,155	\$ 3,261
Accrued interest	4,983	4,849
Payroll, vacation and other compensation	4,374	6,104
Workers compensation reserve	2,252	1,866
Self-insurance reserves	1,718	1,646
Current income taxes payable	468	411
	<u>\$ 18,950</u>	<u>\$ 18,137</u>

HOSTESS BRANDS, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

6. Debt and Lease Obligations

A summary of the carrying value of the debt and lease obligations is as follows:

<u>(In thousands)</u>	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Third Term Loan (4.9% as of March 31, 2019)		
Principal	\$ 981,340	\$ 983,825
Unamortized debt premium and issuance costs	3,510	3,778
Total Third Term Loan	984,850	987,603
Financing lease obligations	359	401
Operating lease obligations	2,474	—
Total debt and lease obligations	987,683	988,004
Less: Current portion of long term debt and lease obligations	(13,243)	(11,268)
Long-term portion	974,440	976,736

At March 31, 2019, minimum debt repayments under the Third Term Loan are due as follows:

<u>(In thousands)</u>	
Remainder of 2019	\$ 7,453
2020	9,938
2021	9,938
2022	954,011

7. Interest Rate Swap

To reduce the effect of interest rate fluctuations, the Company entered into an interest rate swap contract with a counter party to make a series of payments based on a fixed interest rate of 1.78% and receive a series of payments based on the greater of LIBOR or 0.75%. Both the fixed and floating payment streams are based on a notional amount of \$500 million at the inception of the contract and will be reduced by \$100 million each year of the five-year contract. As of March 31, 2019, the notional amount is \$400 million compared to the notional amount of \$500 million as of March 31, 2018. The Company entered into this transaction to reduce its exposure to changes in cash flows associated with its variable rate debt and has designated this derivative as a cash flow hedge. At March 31, 2019, the effective interest rate on the long-term debt hedged by this contract was 4.03%.

As of March 31, 2019 and December 31, 2018, the fair value of the interest rate swap contract of \$2.9 million and \$5.1 million, respectively, was reported within "Other assets, net" on the consolidated balance sheet. The fair value of the interest rate swap contract is measured on a recurring basis by netting the discounted future fixed cash payments and the discounted expected variable cash receipts. The variable cash receipts are based on the expectation of future interest rates (forward curves) derived from observable market interest rate curves (Level 2).

8. Earnings per Share

Basic earnings per share is calculated by dividing net income attributable to the Company's Class A stockholders for the period by the weighted average number of shares of Class A common stock outstanding for the period excluding non-vested restricted stock awards. In computing diluted earnings per share, basic earnings per share is adjusted for the assumed issuance of all applicable potentially dilutive share-based awards including public and private placement warrants, restricted stock units and stock options.

HOSTESS BRANDS, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Below are basic and diluted net income per share:

	Three Months Ended	
	March 31, 2019	March 31, 2018
Numerator:		
Net income attributable to Class A stockholders (in thousands)	\$ 21,126	\$ 23,841
Denominator:		
Weighted-average Class A shares outstanding - basic	100,085,141	99,895,075
Dilutive effect of warrants	421,297	5,048,437
Dilutive effect of restricted stock units	271,171	97,503
Weighted-average shares outstanding - diluted	<u>100,777,609</u>	<u>105,041,015</u>
Net income per Class A share - basic	<u>\$ 0.21</u>	<u>\$ 0.24</u>
Net income per Class A share - diluted	<u>\$ 0.21</u>	<u>\$ 0.23</u>

For the three months ended March 31, 2019 and 2018, stock options were excluded from the computation of diluted net income per share because the assumed proceeds from the awards' exercise was greater than the average market price of the common shares.

9. Income Taxes

The Company is subject to U.S. federal, state and local taxes on its allocable portion of the income of Hostess Holdings, a partnership for U.S. federal and most applicable state and local taxes. As a partnership, Hostess Holdings is itself not subject to U.S. federal and certain state and local income taxes. The operations of Hostess Holdings include those of its C Corporation subsidiaries.

The Company's effective tax rate was a benefit of 4.6% and an expense of 18.2% in the first quarters of 2019 and 2018, respectively. The effective tax rates were lower than the statutory rate of 21% in both periods due primarily to changes in the estimated state tax rate during 2019 and buyout of the tax receivable agreement during 2018. During the three months ended March 31, 2019, the effective tax rate was impacted by the remeasurement of deferred tax balances arising from the update to state apportionment factors that occurred in connection with the planned relocation of the Company's primary distribution center from Illinois to Kansas, which resulted in a discrete tax benefit of \$6.0 million. The Company's estimated annual effective tax rate is 20.6% prior to taking into account any discrete items.

Also as a result of the change in estimated state rates during the three months ended March 31, 2019, a \$1.7 million gain on the remeasurement of the Tax Receivable Agreement was recognized within other operating income on the consolidated statement of operations.

10. Commitments and Contingencies

Liabilities related to legal proceedings are recorded when it is probable that a liability has been incurred and the associated amount can be reasonably estimated. Where the estimated amount of loss is within a range of amounts and no amount within the range is a better estimate than any other amount, the minimum amount is accrued.

As additional information becomes available, potential liabilities are reassessed and the estimates revised, if necessary. Any accrued liabilities are subject to change in the future based on new developments in each matter, or changes in circumstances, which could have a material effect on the Company's financial condition and results of operations.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion summarizes the significant factors affecting the consolidated operating results, financial condition, liquidity and capital resources of Hostess Brands, Inc. This discussion should be read in conjunction with our unaudited consolidated financial statements and notes thereto included herein, and our audited Annual Report on Form 10-K for the year ended December 31, 2018. The terms “our”, “we,” “us,” and “Company” as used herein refer to Hostess Brands, Inc. and its consolidated subsidiaries.

Overview

We are a leading United States packaged food company operating in two reportable segments: Sweet Baked Goods (“SBG”) and In-Store Bakery. Our direct-to-warehouse (“DTW”) product distribution system allows us to deliver to our customers’ warehouses. Our customers in turn distribute to the retail stores.

Hostess® is the second leading brand by market share within the SBG category, according to Nielsen U.S. total universe. For the 13-week period ended March 23, 2019, our branded SBG products (which include Hostess®, Dolly Madison®, Cloverhill® and Big Texas®) market share was 18.2% per Nielsen’s U.S. SBG category data.

Factors Impacting Recent Results

Acquisition

On February 1, 2018, we acquired certain U.S. breakfast assets of Aryzta, LLC (Aryzta), which primarily included a bakery facility, inventory, and the Big Texas® and Cloverhill® brand names (collectively known as the “Cloverhill Business”). We acquired these assets to expand our product portfolio and to gain previously outsourced manufacturing capabilities for our existing product portfolio. Our consolidated statement of operations includes the operation of these assets from February 1, 2018 through March 31, 2019.

Operating Results

	Three Months Ended	
	March 31, 2019	March 31, 2018
(In thousands, except per share data)		
Net revenue	\$ 222,738	\$ 208,743
Gross profit	75,188	71,241
As a % of net revenue	33.8%	34.1%
Operating costs and expenses	\$ 39,078	\$ 38,369
Operating income	36,110	32,872
As a % of net revenue	16.2%	15.7%
Other expense (income)	\$ 10,676	\$ (2,949)
Income tax expense (benefit)	(1,178)	6,519
Net income	26,612	29,302
Net income attributable to Class A stockholders	\$ 21,126	\$ 23,841
Earnings per Class A share:		
Basic	\$ 0.21	\$ 0.24
Diluted	\$ 0.21	\$ 0.23

Results of Operations

Net Revenue

Net revenue for the three months ended March 31, 2019, increased 6.7%, or \$14.0 million, compared to the three months ended March 31, 2018. The increase was driven by additional sales volume in multiple channels led by strong growth in the club channel resulting from various factors including core Hostess-branded product growth, expansion of value brands and the addition of breakfast items supported by the acquisition of the Cloverhill Business in February 2018. With the additional month of operations in 2019, the Cloverhill Business contributed \$6.8 million of incremental net revenue to the quarter. Revenue growth was also driven by price increases which were executed at the end of 2018.

Gross Profit

Gross profit was 33.8% of net revenue for the three months ended March 31, 2019, compared to 34.1% for the three months ended March 31, 2018. Increased volume and pricing actions were partially offset by inflationary pressures in transportation and other input costs. Additionally, efficiency initiatives across multiple bakeries have helped to offset sales growth in lower margin products.

Operating Costs and Expenses

Operating costs and expenses for the three months ended March 31, 2019 increased by 1.8% to \$39.1 million from \$38.4 million for the three months ended March 31, 2018. The increase is due to higher incentive compensation and recruiting costs and broker fees due to increased revenue. Additionally, during 2019 the Company recognized a \$1.7 million gain on the remeasurement of the tax receivable agreement within other operating income. During the first quarter of 2018, the Company recognized a \$1.4 million impairment charge within other operating expenses.

Other Expense

Other expense for the three months ended March 31, 2019 was \$10.7 million compared to other income of \$2.9 million for the three months ended March 31, 2018. The increase in expense is driven by the \$12.4 million gain on the buyout of a portion of the tax receivable agreement in 2018. Interest expense on our Third Term loan was \$11.1 million and \$9.7 million for the three months ended March 31, 2019 and March 31, 2018, respectively.

Income Taxes

Our effective tax rate was a benefit of 4.6% for the three months ended March 31, 2019 compared to expense of 18.2% for the three months ended March 31, 2018. The current year effective tax rate was impacted by the remeasurement of deferred tax balances driven by the planned relocation of our primary distribution center from Illinois to Kansas, which resulted in a discrete tax benefit of \$6.0 million. The planned relocation also resulted in a benefit from the \$1.7 million remeasurement of the tax receivable agreement as reflected in other operating income on the consolidated statement of operations. Our prior year effective tax rate was impacted by the \$12.4 million gain on the buyout of a portion of the tax receivable agreement.

Segments

We have two reportable segments: Sweet Baked Goods and In-Store Bakery. Sweet Baked Goods consists of fresh and frozen baked goods and bread products that are sold under the Hostess®, Dolly Madison®, Cloverhill® and Big Texas® brands. The In-Store Bakery segment consists of products, including Superior on Main® branded and private label products sold through the in-store bakery section of grocery and club stores.

We evaluate performance and allocate resources based on net revenue and gross profit. Information regarding the operations of these reportable segments is as follows:

Unaudited Segment Financial Data	Three Months Ended	
	March 31, 2019	March 31, 2018
(In thousands)		
Net revenue:		
Sweet Baked Goods	\$ 212,879	\$ 199,293
In-Store Bakery	9,859	9,450
Net revenue	<u>\$ 222,738</u>	<u>\$ 208,743</u>
Gross profit:		
Sweet Baked Goods	\$ 73,145	\$ 69,438
In-Store Bakery	2,043	1,803
Gross profit	<u>\$ 75,188</u>	<u>\$ 71,241</u>

Sweet Baked Goods net revenue for the three months ended March 31, 2019 increased \$13.6 million, or 6.8% from the three months ended March 31, 2018. The increase was driven by additional volume primarily in the club channel, as well as price increases.

Sweet Baked Goods gross profit for the three months ended March 31, 2019 was \$73.1 million or 34.4% of net revenue, compared to \$69.4 million or 34.8% of net revenue for the three months ended March 31, 2018. The increase in gross profit was the result of increased net revenue partially offset by higher transportation and other input costs.

In-Store Bakery net revenue for the three months ended March 31, 2019 increased 4.3% from the three months ended March 31, 2018. The increase in net revenue was attributable to increased sales volume. Gross profit was \$2.0 million, or 20.7% of net revenue, compared to gross profit of \$1.8 million, or 19.1% of net revenue. The increase in gross profit was attributed to increased sales volume.

Liquidity and Capital Resources

Our primary sources of liquidity are from cash on hand, future cash flow generated from operations, and availability under our revolving credit agreement (“Revolver”). We believe that cash flows from operations and the current cash and cash equivalents on the balance sheet will be sufficient to satisfy the anticipated cash requirements associated with our existing operations for at least the next 12 months. Our ability to generate sufficient cash from our operating activities depends on our future performance, which is subject to general economic, political, financial, competitive and other factors beyond our control. In addition, our future acquisitions and other cash requirements could be higher than we currently expect as a result of various factors, including any expansion of our business that we undertake, including acquisitions. We consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

We had working capital, excluding cash, as of March 31, 2019 and December 31, 2018 of \$23.4 million and \$12.0 million, respectively. We have the ability to borrow under our Revolver to meet obligations as they come due. As of March 31, 2019, we had approximately \$96.1 million available for borrowing, net of letters of credit, under our Revolver.

Cash Flows from Operating Activities

Cash flows provided by operating activities for the three months ended March 31, 2019 were \$28.4 million and for the three months ended March 31, 2018 were \$38.3 million. The decrease was attributable to the timing of customer receipts as well as higher working capital needs to facilitate higher sales volume.

Cash Flows from Investing Activities

Cash flows used in investing activities for the three months ended March 31, 2019 and 2018 were \$10.8 million and \$32.5 million, respectively. Cash outflows from investing activities decreased in 2019 due to the acquisition of the Cloverhill Business in 2018.

Cash Flows from Financing Activities

Cash flows used in financing activities were \$3.4 million for the three months ended March 31, 2019 and \$41.1 million for the three months ended March 31, 2018. The decrease is primarily due to the \$34.0 million payment to buy out a portion of the tax receivable agreement in 2018. We also paid distributions to the non-controlling interest, a partnership for income tax purposes, to cover income tax payments in each period.

Long-Term Debt

We had no outstanding borrowings under our Revolver as of March 31, 2019.

As of March 31, 2019, \$981.3 million aggregate principal amount of the Third Term Loan was outstanding and \$3.9 million aggregate principal amount of letters of credit was available, reducing the amount available under the Revolver. As of March 31, 2019, the Company was in compliance with the covenants under the Third Term Loan and the Revolver.

Contractual Obligations and Commitments

In April 2019, the Company entered into a 6.5 year lease, with the option to renew for two additional five-year periods, for a distribution facility in Kansas. The lease term will commence upon completion of construction of the facility, which is expected to occur by the first quarter of 2020. During the initial lease term, average annual minimum lease payments are expected to be \$2.3 million.

Otherwise, there were no material changes, outside the ordinary course of business, in our outstanding contractual obligations from those disclosed within "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2018.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to interest rate market risk.

Market risk on variable-rate financial instruments

Our Third Term Loan and Revolver each bear interest on outstanding borrowings thereunder at variable interest rates. The rate in effect at March 31, 2019 for the outstanding Third Term Loan was a LIBOR-based rate of 4.9% per annum. At March 31, 2019, the subsidiary borrower had an aggregate principal balance of \$981.3 million outstanding under the Third Term Loan. At March 31, 2019, the subsidiary borrower had \$96.1 million available for borrowing, net of letters of credit of \$3.9 million, under our Revolver. Increases in market interest rates would cause interest expense to increase and earnings before income taxes to decrease.

To manage the risk related to our variable rate debt, we have entered into an interest rate swap contract with a counter party to make a series of payments based on a fixed interest rate of 1.78% and receive a series of payments based on the greater of LIBOR or 0.75%. Both the fixed and floating payment streams are based on a notional amount of \$500 million at the inception of the contract and will be reduced by \$100 million each year of the five year contract. At March 31, 2019, a notional amount of \$400 million remained outstanding on the swap contract.

The change in interest expense and earnings before income taxes resulting from a change in market interest rates would be dependent upon the weighted average outstanding borrowings and the portion of those borrowings that are hedged by our swap contract during the reporting period following an increase in market interest rates. An increase or decrease in applicable interest rates of 1% would result in an increase or decrease in interest payable of approximately \$5.8 million for the three months ended March 31, 2019, after accounting for the impact of our swap contract.

Item 4. Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e)) under the Securities and Exchange Act of 1934, as amended (the Exchange Act)) as of March 31, 2019, the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2019 to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and that information relating to the Company is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Except for changes to meet the recognition, measurement and disclosure obligations of Topic 842, there were no changes to internal control over financial reporting as defined in Exchange Act Rule 13a-15(f) during the three months ended March 31, 2019, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II

Item 1. Legal Proceedings

We are involved in lawsuits, claims and proceedings arising in the ordinary course of business. These matters involve personnel and employment issues, personal injury, contract and other proceedings arising in the ordinary course of business. Although we do not expect the outcome of these proceedings to have a material adverse effect on our financial condition or results of operations, litigation is inherently unpredictable. Therefore, we could incur judgments or enter into settlements or claims that could materially impact our results.

Item 1A. Risk Factors

Our risk factors are set forth in the "Risk Factors" section of our Annual Report on Form 10-K filed on February 27, 2019. There have been no material changes to our risk factors since the filing of the Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

**HOSTESS BRANDS, INC.
2016 EQUITY INCENTIVE PLAN**

RESTRICTED STOCK UNIT AGREEMENT

Cover Sheet

Hostess Brands, Inc., a company incorporated under the laws of the State of Delaware (“Company”), hereby grants an award of restricted stock units (“RSUs”) to the individual named below. The terms and conditions of the RSUs are set forth in this cover sheet (“Cover Sheet”), in the attached Restricted Stock Unit Agreement (the “Agreement”) and in the Hostess Brands, Inc. 2016 Equity Incentive Plan (the “Plan”). All capitalized terms used but not defined in this Cover Sheet and the Agreement will have the meanings ascribed to such terms in the Plan.

Granted to:
Date of Grant:
Number of RSUs:
Vesting Commencement Date:
Vesting Schedule:

By signing this Cover Sheet, you agree to all of the terms and conditions described in this Cover Sheet, in the Agreement and in the Plan.

If you do not sign and return this Cover Sheet within 60 days of the Date of Grant, the Company will have the right to rescind this award.

Signature: _____ Date: _____

HOSTESS BRANDS, INC.

By: _____
Name:
Title:

HOSTESS BRANDS, INC.
RESTRICTED STOCK UNIT AGREEMENT

Right to Shares	The award of RSUs represents your right to receive, and the Company's obligation to deliver, one share of Common Stock (a "Share") per RSU, subject to the terms and conditions of this Agreement, the Plan and the Cover Sheet.
Vesting	<p>The RSUs awarded to you will vest in accordance with the schedule set forth in the Cover Sheet.</p> <p>All unvested RSUs will cease vesting and will be forfeited as of the date your employment with the Company and its Subsidiaries has terminated for any reason.</p>
Delivery; Settlement	A number of Shares equal to the number of the RSUs that vest on each Vesting Date will be delivered as soon as practicable and within 60 days following the applicable Vesting Date, and upon such delivery, you shall have no further rights with respect to those RSUs.
Change of Control	<p>Notwithstanding the foregoing:</p> <p>(A) if there occurs a Change of Control, and this Award does not continue or is not assumed by an acquiror on a substantially equivalent basis, then all RSUs that have not yet vested shall vest immediately prior to the Change of Control; and</p> <p>(B) if there occurs a Change of Control, and this Award continues or is assumed by an acquiror on a substantially equivalent basis, and your employment is terminated by the Company or an acquiror without Cause or otherwise under circumstances entitling you to severance under the Company's or acquiror's severance plan within 12 months following the Change of Control, then all RSUs that have not yet vested shall vest immediately on your date of termination.</p> <p>A number of Shares equal to the number of the RSUs that vest in accordance with the preceding clauses (A) and (B) shall be delivered as soon as practicable and within 60 days following the applicable vesting date described above, and upon such delivery, you shall have no further rights with respect to those RSUs.</p>
Termination	Should your employment with the Company and its Subsidiaries terminate for any reason except in connection with a Change of Control as described above, all of your RSUs then unvested and outstanding will terminate, and you will no longer have any rights in respect of such RSUs.

Termination for Cause or Breach of any Continuing Obligation; Recoupment

If your employment is terminated for Cause or if you breach any restrictive covenant under this Agreement or any other agreement between you and the Company or its Subsidiaries, the RSUs, whether or not vested, will immediately terminate.

In addition, if at any time within one year after the date on which you receive payment in respect of the RSUs (whether in the form of cash or Shares), (a) your employment is terminated for Cause or (b) after termination of your employment for any reason, the Committee determines in its discretion either that (i) during your period of employment, you engaged in an act or omission that would have warranted termination of your employment for Cause, or (ii) after termination of your employment, you engaged in conduct that violated any continuing obligation or duty in respect of the Company or any Subsidiary (including any breach of any restrictive covenant under this Agreement or any other agreement between you and the Company or any Subsidiary), then, subject to applicable law, upon notice from the Company, you shall repay to the Company any cash or Shares you received pursuant to the RSUs, or if you disposed of any such Shares, the Fair Market Value of such Shares as of the date of disposition.

Nothing in this Agreement shall limit the Company's right of recoupment pursuant to Section 13 of the Plan, including recoupment of payments pursuant to the Company's compensation recovery, "clawback" or similar policy, as may be in effect from time to time.

Taxes

You are solely responsible for the satisfaction of all taxes and penalties that may arise in connection with the award or settlement of the RSUs. At the time of taxation, the Company shall have the right to deduct from other compensation, or to withhold Shares in an amount equal to the federal (including FICA), state, local and foreign taxes and other amounts as may be required by law to be withheld with respect to the RSUs. If Shares are withheld, the value of the Shares withheld may not exceed the minimum applicable tax withholding amount (except as otherwise determined by the Committee in its sole discretion). By accepting this Award, you expressly consent to the withholding of Shares or other amounts payable to you.

Restrictions on Resale and Settlement

By signing this Agreement, you agree not to sell any Shares received upon settlement of RSUs at a time when applicable laws, regulations or Company policies prohibit a sale. The Company's obligation to deliver Shares upon settlement of the RSUs shall be subject to applicable laws, rules and regulations and also to such approvals by governmental agencies as may be deemed appropriate to comply with relevant securities laws and regulations, and the Company will not permit the issuance of Shares at a time when such issuance would violate any law, rule, regulation or Company policy, as determined by the Company.

Any Shares issued hereunder, and any cash proceeds realized from the sale of such Shares will be subject to all share retention, trading, and other policies that may be implemented by the Committee or the Board from time to time.

Transfer of RSUs

You cannot transfer or assign your RSUs. For instance, you may not sell RSUs or use them as security for a loan. If you attempt to do any of these things, your Award will immediately become invalid.

Regardless of any marital property settlement agreement, the Company or a securities broker, as applicable, is not obligated to recognize your former spouse's interest in your right to RSUs in any way.

Stockholder Rights; Dividend Equivalent Rights You, or your estate or heirs, have no rights as a stockholder of the Company in respect of RSUs unless and until Shares have been delivered in settlement of the RSUs.

No adjustments are made for dividends or other rights if the applicable record date occurs before Shares are delivered, except as described in the Plan. However, to the extent you hold RSUs on the record date any cash dividend is declared on Shares, you will receive a dividend equivalent right ("DER"). A DER is a right to an amount, per RSU held, equal to the amount of the cash dividend declared and paid in respect of one Share. DERs will be credited in the form of additional RSUs, with the number of RSUs based on the Fair Market Value of a Share as of the date the dividend is paid (rounded down to the nearest whole Share). DERs will be subject to the same vesting and other conditions as the RSUs to which they relate. If and to the extent that the underlying RSUs are forfeited, all related DERs shall also be forfeited. DERs will be paid at the same time the underlying RSUs are settled.

Restrictive Covenants:

Covenant Not to Compete

During your employment with the Company or any Subsidiary and continuing for a period of six (6) months after the termination of the employment relationship by either party, with or without Cause, including voluntary termination, you will not, directly or indirectly, as an employee, agent, partner, consultant, representative, contractor or in any other capacity, work for or operate a "Competitive Business". For the purposes of this Agreement, Competitive Business means any enterprise (including a person, firm or business) operating or which has made material plans to operate (i) in the in-store bakery or sweet baked goods business or (ii) any other business that offers products competitive with those products offered by the Company or its Subsidiaries or which the Company or its Subsidiaries have made material plans to offer. This restriction is limited to the United States and any other geographic market in which the Company or its Subsidiaries operate, or have made material plans to operate, as of the date of your separation from the Company or its Subsidiaries.

Covenant Not to Solicit

During your employment with the Company or any Subsidiary and continuing for a period of six (6) months after the termination of the employment relationship by either party, with or without Cause, including voluntary termination, you will not, directly or indirectly, (a) as an employee, agent, partner, consultant, representative, contractor or in any other capacity, solicit, call on, divert, negotiate with or communicate with any customer or distributor of the Company or its Subsidiaries with whom you had contact during the final one (1) year period of your employment with the Company or any Subsidiary for the purpose of providing or selling competitive products or services to those of the Company or any Subsidiary or diverting or inducing the diversion of business from the Company or any Subsidiary or (b) engage, recruit, solicit for employment or engagement, offer employment to or hire, or otherwise seek to influence or alter any relationship with any person who is an employee of the Company or any Subsidiary; provided, however, that this provision shall not restrict you from offering employment to or otherwise engaging any current or former employee of the Company or any Subsidiary who responds to a general advertisement. The term "contact" as used above, shall mean any customer or distributor: (i) with which you had dealings; or (ii) for which you had responsibility for engaging, supervising, overseeing or conducting the Company's or any Subsidiary's relationship.

Remedies Applicable to Restrictive Covenants

You acknowledge, agree and represent that the type and periods of restrictions imposed in this Agreement are fair and reasonable, and that such restrictions are intended solely to protect the legitimate interests of the Company and its Subsidiaries, rather than to prevent you from earning a livelihood. You further acknowledge and agree that the business of the Company and its Subsidiaries is highly competitive and that the Company's and its Subsidiaries' confidential information and proprietary materials have been developed by the Company and its Subsidiaries at significant expense and effort, and that the restrictions contained in this Agreement are reasonable and necessary to protect the legitimate business interests of the Company and its Subsidiaries. You represent and agree that: (i) you have reviewed and understand the covenants set forth in this Agreement, (ii) you are fully aware of your obligations hereunder, including, without limitation, the length of time, scope and geographic coverage of these covenants, (iii) the length of time, scope and geographic coverage of these covenants is reasonable and (iv) you are receiving valuable and sufficient consideration for your covenants under this Agreement, including without limitation your covenants not to compete and not to solicit.

You acknowledge and agree that each of the covenants in this Agreement has a unique, very substantial and immeasurable value to the Company and its Subsidiaries, that such covenants will not in any way impair your ability to earn a living and that you have sufficient assets and skills to earn a living while such covenants remain in force and that, as a result of the foregoing, in the event that you breach such covenants, monetary damages would be an insufficient remedy for the Company and its Subsidiaries and equitable enforcement of the covenants would be proper. You therefore agree that the Company, in addition to any other remedies available to it, including under this Agreement and pursuant to Section 13 of the Plan, will be entitled to preliminary and permanent injunctive relief in aid of arbitration in the event of any breach or threatened breach by you of any of the covenants in this Agreement, without the necessity of showing actual monetary damages or the posting of a bond or other security. Such action for injunctive relief in aid of arbitration shall be brought exclusively in the Supreme Court of the State of New York, New York County, or in the United States District Court for the Southern District of New York, or in any other court of competent jurisdiction sitting in the County and State of New York, and you and the Company agree to the personal jurisdiction thereof. You and the Company hereby irrevocably waive any objection you or the Company may now or hereafter have to the laying of venue of any such action for injunctive relief in aid of arbitration in said court(s), and further irrevocably waive any claim you or the Company may now or hereafter have that any such action brought in said court(s) has been brought in an inconvenient forum.

You and the Company further agree that, in the event that any provision of this Agreement is determined by any court or arbitrator of competent jurisdiction to be unenforceable for any reason, that provision or a portion thereof will be deemed to be modified so as to render it enforceable to the maximum extent permitted by law and to the extent such provision or portion thereof cannot be rendered enforceable, this Agreement shall be considered divisible as to such provision, which shall become null and void, leaving the remainder of this Agreement in full force and effect.

The provisions of this Agreement shall not affect the Company's ability to enforce the provisions of any other agreement in effect between the Company or any Subsidiary and you, including without limitation, the covenants contained in any offer letter, severance plan or policy, or employment agreement.

No Right to Continued Employment

Neither the grant of this Award, nor any other action taken hereunder shall be construed as giving you the right to be retained in the employ or service of the Company or any of its Subsidiaries (for the vesting period or any other period of time) nor interfere in any way with the Company's right to terminate your employment.

Applicable Law and Arbitration

This Agreement will be subject to and interpreted in accordance with the laws of the State of Delaware, without reference to the principles of conflicts of laws, and applicable Federal or other securities laws. Any dispute, controversy or claim arising out of or relating to the Plan or this Agreement that cannot be resolved by you on the one hand and the Company on the other, shall be submitted to arbitration in accordance with the terms of the Plan, except to the extent otherwise provided in this Agreement with respect to injunctive relief in aid of arbitration.

Delivery of Documents

The Company may, in its sole discretion, decide to deliver any documents related to this Award or other Awards granted to you under the Plan by electronic means. By signing the Cover Sheet, you consent to receive all documents related to this Award or other Awards granted to you under the Plan by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

Amendment

The terms and conditions of this Agreement and the RSUs may be amended by the Committee or the Board as permitted by the Plan.

The Plan and Other Agreements

The text of the Plan and any amendments thereto are incorporated in this Agreement by reference.

This Agreement, the Cover Sheet and the Plan constitute the entire understanding between you and the Company regarding the RSUs. Any prior agreements, commitments or negotiations concerning the RSUs are superseded. In the event there is any express conflict between this Agreement and the terms of the Plan, the terms of the Plan shall govern.

By signing the Cover Sheet of this Agreement, you agree to all of the terms and conditions described above and in the Plan and evidence your acceptance of the powers of the Committee of the Board of Directors of the Company that administers the Plan.

**HOSTESS BRANDS, INC.
2016 EQUITY INCENTIVE PLAN**

Performance Share UNIT award Agreement

Cover Sheet

Hostess Brands, Inc., a company incorporated under the laws of the State of Delaware (“Company”), hereby grants an award of performance share units (“PSUs”) to the individual named below. The terms and conditions of the PSUs are set forth in this cover sheet (“Cover Sheet”), in the attached Performance Share Award Agreement (the “Agreement”) and in the Hostess Brands, Inc. 2016 Equity Incentive Plan (the “Plan”). All capitalized terms used but not defined in this Cover Sheet and the Agreement will have the meanings ascribed to such terms in the Plan.

Granted to:
Date of Grant:
Performance Period:
Performance Metric:
Target Number of PSUs:
Performance Goal:

Maximum		
Target		
Threshold or below		

Vesting Date:

By signing this Cover Sheet, you agree to all of the terms and conditions described in this Cover Sheet, in the Agreement and in the Plan.

If you do not sign and return this Cover Sheet within 60 days of the Date of Grant, the Company will have the right to rescind this Award.

Signature: _____ Date: _____

HOSTESS BRANDS, INC.

By: _____

Name:

Title:

HOSTESS BRANDS, INC.
Performance Share AWARD AGREEMENT

Right to Shares

The award of PSUs represents your right to receive, and the Company's obligation to issue, one share of the Company's Class A Common Stock (a "Share") for each PSU that is or becomes a Vested PSU (as described below) on the Vesting Date, subject to the terms of this Agreement. Such issuance will occur as soon as practicable following the date the Committee certifies the extent to which Performance Goal has been satisfied as of the Vesting Date, determined in accordance with Exhibit A attached hereto, but no later than 70 days following the Vesting Date. Notwithstanding the foregoing, the Company will not permit the issuance of Shares at a time when such issuance would violate any law, rule, regulation or Company policy, as determined by the Company.

Vested PSUs

The number of PSUs, if any, that become Vested PSUs will be determined as of the end of the Performance Period, based on the extent to which the Performance Goal, as set forth in the Cover Sheet, has been achieved for the Performance Period, as determined in accordance with Exhibit A and certified by the Committee. If actual performance is equal to or below the threshold Performance Goal for the Performance Period, then no PSUs will become Vested PSUs for the Performance Period. If the target Performance Goal has been achieved for the Performance Period, then the target number of PSUs for the Performance Period, as set forth on the Cover Sheet, will become Vested PSUs for the Performance Period. If the maximum Performance Goal (or greater) has been achieved for the Performance Period, then the maximum number of PSUs for the Performance Period, as set forth on the Cover Sheet, will become Vested PSUs for the Performance Period. If actual performance falls between the threshold Performance Goal and the target Performance Goal, or between the target Performance Goal and the maximum Performance Goal, the number of PSUs that become Vested PSUs will be determined by linear interpolation between the respective performance inflection points.

Performance Metric

As set forth in the Cover Sheet, the Performance Metric shall be, as defined and further described in Exhibit A.

Vesting; Forfeiture

On the Vesting Date, your right to issuance of the Shares underlying any PSUs that are Vested PSUs as of the Vesting Date shall become vested and nonforfeitable. Should your employment with the Company and its Subsidiaries terminate for any reason prior to the Vesting Date, all PSUs will be forfeited and you will have no right to the issuance of any Shares hereunder. Notwithstanding the foregoing, if such termination is other than (i) by you voluntarily (except where such voluntary termination entitles you to severance under the Company's severance plan) or (ii) by the Company for Cause, the date of such termination will be treated as if it were the Vesting Date, and you will be entitled to issuance of a number of Shares underlying any PSUs that would become Vested PSUs determined as if the Performance Period ended on the termination date, and the number of PSUs as set forth in the Cover Sheet was prorated to reflect the shortened Performance Period, but your rights in respect of any additional PSUs will be forfeited. Issuance of shares underlying Vested PSUs shall occur within 70 days following your termination of employment.

Termination for Cause; Breach of any Continuing Obligation; Recoupment

If your employment is terminated for Cause or if you breach any restrictive covenant under this Agreement or any other agreement between you and the Company or its Subsidiaries, the PSUs, whether or not vested, will immediately terminate.

In addition, if at any time within one year after the date on which you receive payment in respect of the PSUs (whether in the form of cash or Shares), (a) your employment is terminated for Cause or (b) after termination of your employment for any reason, the Committee determines in its discretion either that (i) during your period of employment, you engaged in an act or omission that would have warranted termination of your employment for Cause or (ii) after termination of your employment, you engaged in conduct that violated any continuing obligation or duty in respect of the Company or any Subsidiary (including any breach of any restrictive covenant under this Agreement or any other agreement between you and the Company or any Subsidiary), then, subject to applicable law, upon notice from the Company, you shall repay to the Company any cash or Shares you received pursuant to the PSUs, or if you disposed of any such Shares, the Fair Market Value of such Shares as of the date of disposition.

Nothing in this Agreement shall limit the Company's right of recoupment pursuant to Section 13 of the Plan, including recoupment of payments pursuant to the Company's compensation recovery, "clawback" or similar policy, as may be in effect from time to time.

Change of Control

Notwithstanding the foregoing:

(A) If there occurs a Change of Control prior to the Vesting Date, and this Award does not continue or is not assumed by an acquiror, then the date of such Change of Control will be treated as if it were the Vesting Date, and you will be entitled to issuance a number of Shares underlying any PSUs that would become Vested PSUs determined as if the Performance Period ended on the date of the Change of Control, and the number of PSUs as set forth in the Cover Sheet was prorated to reflect the shortened Performance Period. Issuance of shares underlying Vested PSUs determined in accordance with this subsection (A) shall occur within 70 days following the Change of Control; and

(B) If there occurs a Change of Control, and this Award continues or is assumed by an acquiror, and your employment is terminated by the Company or an acquiror without Cause or otherwise under circumstances entitling you to severance under the Company's or acquiror's severance plan within 12 months following the Change of Control, then the number of PSUs that become Vested PSUs as of the date of such termination shall be equal to the target number of PSUs, as set forth on the Cover Sheet. Issuance of shares underlying Vested PSUs determined in accordance with this subsection (B) shall occur within 70 days following your termination of employment.

For purposes of the foregoing, this Award shall not be treated as continued or assumed unless it is continued or assumed on a substantially equivalent basis, including, without limitation, continuation or assumption of the Performance Metric and Performance Goals.

Taxes

You are solely responsible for the satisfaction of all taxes and penalties that may arise in connection with the award or settlement of the PSUs. At the time of taxation, the Company shall have the right to deduct from other compensation, or to withhold Shares in an amount equal to the federal (including FICA), state, local and foreign taxes and other amounts as may be required by law to be withheld with respect to the PSUs. If Shares are withheld, the value of the Shares withheld may not exceed the minimum applicable tax withholding amount (except as otherwise determined by the Committee in its sole discretion). By accepting this Award, you expressly consent to the withholding of Shares or other amounts payable to you.

Restrictions on Resale/ Company Policies

By signing this Agreement, you agree not to sell any Shares received hereunder at a time when applicable laws, regulations or Company policies prohibit a sale. Any Shares issued hereunder, and any cash proceeds realized from the sale of such Shares will be subject to all share retention, trading, and other policies that may be implemented by the Committee or the Board from time to time.

Transfer of right to receive PSUs

You cannot transfer or assign your PSUs. For instance, you may not sell your right to PSUs or use such right as security for a loan. If you attempt to do any of these things, your Award will immediately become invalid.

Regardless of any marital property settlement agreement, the Company or a securities broker, as applicable, is not obligated to recognize your former spouse's interest in your right to PSUs in any way.

Stockholder Rights

You, or your estate or heirs, have no rights as a stockholder of the Company in respect of PSUs, unless and until the underlying Shares are issued. No adjustments are made for dividends or other rights if the applicable record date occurs before Shares are issued, except as described in the Plan. However, to the extent you hold PSUs on the record date any cash dividend is declared on Shares, you will receive a dividend equivalent right ("DER"). A DER is a right to an amount, per PSU held, equal to the amount of the cash dividend declared and paid in respect of one Share. DERs will be credited in the form of additional PSUs, with the number of PSUs based on the Fair Market Value of a Share as of the date the dividend is paid (rounded down to the nearest whole Share). DERs will be subject to the same vesting and other conditions as the PSUs. If and to the extent that the underlying PSUs are forfeited, all related DERs shall also be forfeited. DERs will be paid at the same time the underlying PSUs are settled if and to the extent that the underlying PSUs vest and become payable.

**Restrictive Covenants:
Covenant Not to Compete**

During your employment with the Company or any Subsidiary and continuing for a period of six (6) months after the termination of the employment relationship by either party, with or without Cause, including voluntary termination, you will not, directly or indirectly, as an employee, agent, partner, consultant, representative, contractor or in any other capacity, work for or operate a "Competitive Business". For the purposes of this Agreement, Competitive Business means any enterprise (including a person, firm or business) operating or which has made material plans to operate (i) in the in-store bakery or sweet baked goods business or (ii) any other business that offers products competitive with those products offered by the Company or its Subsidiaries or which the Company or its Subsidiaries have made material plans to offer. This restriction is limited to the United States and any other geographic market in which the Company or its Subsidiaries operate, or have made material plans to operate, as of the date of your separation from the Company or its Subsidiaries.

Covenant Not to Solicit

During your employment with the Company or any Subsidiary and continuing for a period of six (6) months after the termination of the employment relationship by either party, with or without Cause, including voluntary termination, you will not, directly or indirectly, (a) as an employee, agent, partner, consultant, representative, contractor or in any other capacity, solicit, call on, divert, negotiate with or communicate with any customer or distributor of the Company or its Subsidiaries with whom you had contact during the final one (1) year period of your employment with the Company or any Subsidiary for the purpose of providing or selling competitive products or services to those of the Company or any Subsidiary or diverting or inducing the diversion of business from the Company or any Subsidiary or (b) engage, recruit, solicit for employment or engagement, offer employment to or hire, or otherwise seek to influence or alter any relationship with any person who is an employee of the Company or any Subsidiary; provided, however, that this provision shall not restrict you from offering employment to or otherwise engaging any current or former employee of the Company or any Subsidiary who responds to a general advertisement. The term "contact" as used above, shall mean any customer or distributor: (i) with which you had dealings; or (ii) for which you had responsibility for engaging, supervising, overseeing or conducting the Company's or any Subsidiary's relationship.

**Remedies Applicable to Restrictive
Covenants**

You acknowledge and agree that each of the covenants in this Agreement has a unique, very substantial and immeasurable value to the Company and its Subsidiaries, that such covenants will not in any way impair your ability to earn a living and that you have sufficient assets and skills to earn a living while such covenants remain in force and that, as a result of the foregoing, in the event that you breach such covenants, monetary damages would be an insufficient remedy for the Company and its Subsidiaries and equitable enforcement of the covenants would be proper. You therefore agree that the Company, in addition to any other remedies available to it, including under this Agreement and pursuant to Section 13 of the Plan, will be entitled to preliminary and permanent injunctive relief in aid of arbitration in the event of any breach or threatened breach by you of any of the covenants in this Agreement, without the necessity of showing actual monetary damages or the posting of a bond or other security. Such action for injunctive relief in aid of arbitration shall be brought exclusively in the Supreme Court of the State of New York, New York County, or in the United States District Court for the Southern District of New York, or in any other court of competent jurisdiction sitting in the County and State of New York, and you and the Company agree to the personal jurisdiction thereof. You and the Company hereby irrevocably waive any objection you or the Company may now or hereafter have to the laying of venue of any such action for injunctive relief in aid of arbitration in said court(s), and further irrevocably waive any claim you or the Company may now or hereafter have that any such action brought in said court(s) has been brought in an inconvenient forum.

You and the Company further agree that, in the event that any provision of this Agreement is determined by any court or arbitrator of competent jurisdiction to be unenforceable for any reason, that provision or a portion thereof will be deemed to be modified so as to render it enforceable to the maximum extent permitted by law and to the extent such provision or portion thereof cannot be rendered enforceable, this Agreement shall be considered divisible as to such provision, which shall become null and void, leaving the remainder of this Agreement in full force and effect.

The provisions of this Agreement shall not affect the Company's ability to enforce the provisions of any other agreement in effect between the Company or any Subsidiary and you, including without limitation, the covenants contained in any offer letter, severance plan or policy, or employment agreement.

No Right to Continued Employment

Neither the grant of this Award, nor any other action taken hereunder shall be construed as giving you the right to be retained in the employ or service of the Company or any of its Subsidiaries (for the vesting period or any other period of time) nor interfere in any way with the Company's right to terminate your employment.

Applicable Law and Arbitration

This Agreement will be subject to and interpreted in accordance with the laws of the State of Delaware, without reference to the principles of conflicts of laws, and applicable Federal or other securities laws. Any dispute, controversy or claim arising out of or relating to the Plan or this Agreement that cannot be resolved by you on the one hand and the Company on the other, shall be submitted to arbitration in accordance with the terms of the Plan, except to the extent otherwise provided in this Agreement with respect to injunctive relief in aid of arbitration.

Delivery of Documents

The Company may, in its sole discretion, decide to deliver any documents related to this Award or other Awards granted to you under the Plan by electronic means. By signing the Cover Sheet, you consent to receive all documents related to this Award or other Awards granted to you under the Plan by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

Amendment

The terms and conditions of this Agreement and the PSUs may be amended by the Committee or the Board as permitted by the Plan.

The Plan and Other Agreements

The text of the Plan and any amendments thereto are incorporated in this Agreement by reference.

This Agreement, the Cover Sheet and the Plan constitute the entire understanding between you and the Company regarding the PSUs. Any prior agreements, commitments or negotiations concerning the PSUs are superseded. In the event there is any express conflict between the Cover Sheet, this Agreement and the terms of the Plan, the terms of the Plan shall govern.

By signing the Cover Sheet of this Agreement, you agree to all of the terms and conditions described above and in the Plan and evidence your acceptance of the powers of the Committee of the Board of Directors of the Company that administers the Plan.

**HOSTESS BRANDS, INC.
2016 EQUITY INCENTIVE PLAN
Performance Share UNIT award Agreement**

Exhibit A

**HOSTESS BRANDS, INC.
2016 EQUITY INCENTIVE PLAN
NONQUALIFIED Stock Option Agreement
Cover Sheet**

Hostess Brands, Inc. (the "Company"), a company organized under the laws of the State of Delaware, hereby grants a Nonqualified Stock Option (the "Option") to acquire shares of Common Stock (the "Shares") to the individual named below. The terms and conditions of the Option are set forth in this cover sheet (the "Cover Sheet"), in the attached Stock Option Agreement (the "Agreement") and in the Hostess Brands, Inc. 2016 Equity Incentive Plan (the "Plan"). All capitalized terms used but not defined in this Cover Sheet and the attached Stock Option Agreement will have the meanings ascribed to such terms in the Plan.

- Granted to:**
- Date of Grant:**
- Shares subject to the Option:**
- Exercise Price per Share:**
- Expiration Date:**
- Vesting Commencement Date:**
- Vesting Schedule:**

By signing this Cover Sheet, you agree to all of the terms and conditions described in this Cover Sheet, in the Agreement and in the Plan.

If you do not sign and return this Cover Sheet within 60 days of the Date of Grant, the Company will have the right to rescind this Award.

Signature: _____ Date: _____

HOSTESS BRANDS, INC.

By: _____
Name:
Title:

HOSTESS BRANDS, INC.

NONQUALIFIED STOCK OPTION AGREEMENT

Nonqualified Stock Option	This Option is not intended to be an Incentive Stock Option under section 422 of the Internal Revenue Code and will be interpreted accordingly.
Vesting	<p>Your right to exercise this Option vests at the times and in the manner as shown on the Cover Sheet.</p> <p>Except in connection with a Change of Control, as described below, this Option will cease vesting as of the date your employment with the Company and its Subsidiaries has terminated for any reason.</p>
Termination	Should your employment with the Company and its Subsidiaries terminate for any reason except in connection with a Change of Control as described below, the portion of this Option that is not then vested will immediately terminate, and, except as provided below, the portion that is then vested will terminate at the close of business at the Company's registered office on the 90th day after your termination date. Your Option will expire in any event at the close of business at the Company's registered office on the Expiration Date set forth on the Cover Sheet.
Death or Disability	If your employment terminates because of your death or Disability, your right to exercise the vested portion of this Option will expire at the close of business at the Company's registered office on the date that is one year following your death or Disability (or on the Expiration Date set forth on the Cover Sheet, if earlier).
Termination for Cause or Breach of any Continuing Obligation; Recoupment	<p>If your employment is terminated for Cause or if you breach any restrictive covenant under this Agreement or any other agreement between you and the Company or its Subsidiaries, the Option, whether or not vested, will immediately terminate.</p> <p>In addition, if at any time within one year after the date on which you exercise the Option or otherwise receive payment in respect of the Option, (a) your employment is terminated for Cause or (b) after termination of your employment for any reason, the Committee determines in its discretion either that (i) during your period of employment, you engaged in an act or omission that would have warranted termination of your employment for Cause, or (ii) after termination of your employment, you engaged in conduct that violated any continuing obligation or duty in respect of the Company or any Subsidiary (including any breach of any restrictive covenant under this Agreement or any other agreement between you and the Company or any Subsidiary), then, subject to applicable law, upon notice from the Company, you shall repay to the Company any cash or Shares you received in respect of the Option (less the exercise price paid by you), or if you disposed of any such Shares, the Fair Market Value of such Shares as of the date of disposition (less the exercise price paid by you).</p> <p>Nothing in this Agreement shall limit the Company's right of recoupment pursuant to Section 13 of the Plan, including recoupment of payments pursuant to the Company's compensation recovery, "clawback" or similar policy, as may be in effect from time to time.</p>
Change of Control	Notwithstanding the foregoing, in the event of a Change of Control, the Committee may take such actions with respect to the Option as it deems appropriate pursuant to the Plan. If the Option continues in effect after a Change of Control and the Participant's employment is terminated by the Company and its Subsidiaries without Cause or otherwise under circumstances entitling you to severance under the Company's or acquiror's severance plan, upon or within 12 months following the Change of Control, any unvested portion of the Option shall become fully vested upon such termination of employment.
Restrictions on Exercise	The Company will not permit you to exercise this Option if the issuance of Shares at that time would violate any law, rule, regulation or Company policy, as determined by the Company.

Notice of Exercise

When you wish to exercise this Option, you must complete and execute such documents, if any, and complete such processes, that the Company or a securities broker approved by the Company may require to accomplish the Option exercise (“Notice of Exercise”).

Upon exercise of the Option (or portion thereof), the Option (or portion thereof) will terminate and cease to be outstanding.

If someone else wants to exercise the Option after your death, that person must prove to the Company’s satisfaction that he or she is entitled to do so.

Form of Payment

When you submit your Notice of Exercise, you must include payment of the exercise price for the Shares you are purchasing, along with applicable withholding taxes. Payment may be made in one (or a combination) of the following forms:

- Your personal check, a cashier’s check or a money order.
- If permitted by the Company, irrevocable directions to a securities broker approved by the Company to sell your Shares subject to the Option and to deliver all or a portion of the sale proceeds to the Company in payment of the exercise price and applicable withholding taxes. (The balance of the sale proceeds, if any, will be delivered to you.) The directions must be given by signing forms, if any, provided by the Company or the securities broker.
- Any other method permitted by the Company at the time of exercise.

Taxes

When you exercise any portion of the Option, the Company will withhold taxes as required by applicable law, and your ability to exercise any portion of the Option is conditional upon your making arrangements satisfactory to the Company.

You are solely responsible for the satisfaction of all taxes and penalties that may arise in connection with the Option. At the time of taxation, the Company shall have the right to deduct from other compensation, or to withhold Shares in an amount equal to the federal (including FICA), state, local and foreign taxes and other amounts as may be required by law to be withheld with respect to the exercise of the Option. If Shares are withheld, the value of the Shares withheld may not exceed the minimum applicable tax withholding amount (except as otherwise determined by the Committee in its sole discretion). By accepting this Award, you expressly consent to the withholding of Shares or other amounts payable to you.

Restrictions on Resale/Company Policies

By signing this Agreement, you agree not to sell any Shares received upon exercise of the Option at a time when applicable laws, regulations or Company policies prohibit a sale. The Option, any Shares issued pursuant to the Option, and any cash proceeds realized from the sale of such Shares will be subject to all share retention, trading, and other policies that may be implemented by the Committee or the Board from time to time.

Transfer of Option

Prior to your death, only you may exercise this Option. You cannot transfer or assign this Option. For instance, you may not sell this Option or use it as security for a loan. If you attempt to do any of these things, this Option will immediately become invalid.

In the event of your death, the Option may be exercised by your designated beneficiary, if any, or your executors, personal representatives or distributees determined in accordance with your will or the laws of descent and distribution.

Regardless of any marital property settlement agreement, the Company or a securities broker, as applicable, is not obligated to honor a Notice of Exercise from your former spouse, nor is the Company or the securities broker obligated to recognize your former spouse’s interest in your Option in any other way.

Stockholder Rights

You, or your estate or heirs, have no rights as a stockholder of the Company with respect to the Shares subject to the Option until a proper Notice of Exercise has been submitted, and the exercise price and withholding taxes have been tendered and the Shares have been delivered to you. Upon the delivery of shares of Common Stock upon exercise, you will have all the rights of a shareholder with respect to such shares of Common Stock, including the right to vote such shares of Common Stock and to receive all dividends and other distributions paid with respect to them.

**Restrictive Covenants:
Covenant Not to Compete**

During your employment with the Company or any Subsidiary and continuing for a period of six (6) months after the termination of the employment relationship by either party, with or without Cause, including voluntary termination, you will not, directly or indirectly, as an employee, agent, partner, consultant, representative, contractor or in any other capacity, work for or operate a "Competitive Business". For the purposes of this Agreement, Competitive Business means any enterprise (including a person, firm or business) operating or which has made material plans to operate (i) in the in-store bakery or sweet baked goods business or (ii) any other business that offers products competitive with those products offered by the Company or its Subsidiaries or which the Company or its Subsidiaries have made material plans to offer. This restriction is limited to the United States and any other geographic market in which the Company or its Subsidiaries operate, or have made material plans to operate, as of the date of your separation from the Company or its Subsidiaries.

Covenant Not to Solicit

During your employment with the Company or any Subsidiary and continuing for a period of six (6) months after the termination of the employment relationship by either party, with or without Cause, including voluntary termination, you will not, directly or indirectly, (a) as an employee, agent, partner, consultant, representative, contractor or in any other capacity, solicit, call on, divert, negotiate with or communicate with any customer or distributor of the Company or its Subsidiaries with whom you had contact during the final one (1) year period of your employment with the Company or any Subsidiary for the purpose of providing or selling competitive products or services to those of the Company or any Subsidiary or diverting or inducing the diversion of business from the Company or any Subsidiary or (b) engage, recruit, solicit for employment or engagement, offer employment to or hire, or otherwise seek to influence or alter any relationship with any person who is an employee of the Company or any Subsidiary; provided, however, that this provision shall not restrict you from offering employment to or otherwise engaging any current or former employee of the Company or any Subsidiary who responds to a general advertisement. The term "contact" as used above, shall mean any customer or distributor: (i) with which you had dealings; or (ii) for which you had responsibility for engaging, supervising, overseeing or conducting the Company's or any Subsidiary's relationship.

Remedies Applicable to Restrict Covenants

You acknowledge, agree and represent that the type and periods of restrictions imposed in this Agreement are fair and reasonable, and that such restrictions are intended solely to protect the legitimate interests of the Company and its Subsidiaries, rather than to prevent you from earning a livelihood. You further acknowledge and agree that the business of the Company and its Subsidiaries is highly competitive and that the Company's and its Subsidiaries' confidential information and proprietary materials have been developed by the Company and its Subsidiaries at significant expense and effort, and that the restrictions contained in this Agreement are reasonable and necessary to protect the legitimate business interests of the Company and its Subsidiaries. You represent and agree that: (i) you have reviewed and understand the covenants set forth in this Agreement, (ii) you are fully aware of your obligations hereunder, including, without limitation, the length of time, scope and geographic coverage of these covenants, (iii) the length of time, scope and geographic coverage of these covenants is reasonable and (iv) you are receiving valuable and sufficient consideration for your covenants under this Agreement, including without limitation your covenants not to compete and not to solicit.

You acknowledge and agree that each of the covenants in this Agreement has a unique, very substantial and immeasurable value to the Company and its Subsidiaries, that such covenants will not in any way impair your ability to earn a living and that you have sufficient assets and skills to earn a living while such covenants remain in force and that, as a result of the foregoing, in the event that you breach such covenants, monetary damages would be an insufficient remedy for the Company and its Subsidiaries and equitable enforcement of the covenants would be proper. You therefore agree that the Company, in addition to any other remedies available to it, including under this Agreement and pursuant to Section 13 of the Plan, will be entitled to preliminary and permanent injunctive relief in aid of arbitration in the event of any breach or threatened breach by you of any of the covenants in this Agreement, without the necessity of showing actual monetary damages or the posting of a bond or other security. Such action for injunctive relief in aid of arbitration shall be brought exclusively in the Supreme Court of the State of New York, New York County, or in the United States District Court for the Southern District of New York, or in any other court of competent jurisdiction sitting in the County and State of New York, and you and the Company agree to the personal jurisdiction thereof. You and the Company hereby irrevocably waive any objection you or the Company may now or hereafter have to the laying of venue of any such action for injunctive relief in aid of arbitration in said court(s), and further irrevocably waive any claim you or the Company may now or hereafter have that any such action brought in said court(s) has been brought in an inconvenient forum.

You and the Company further agree that, in the event that any provision of this Agreement is determined by any court or arbitrator of competent jurisdiction to be unenforceable for any reason, that provision or a portion thereof will be deemed to be modified so as to render it enforceable to the maximum extent permitted by law and to the extent such provision or portion thereof cannot be rendered enforceable, this Agreement shall be considered divisible as to such provision, which shall become null and void, leaving the remainder of this Agreement in full force and effect.

The provisions of this Agreement shall not affect the Company's ability to enforce the provisions of any other agreement in effect between the Company or any Subsidiary and you, including without limitation, the covenants contained in any offer letter, severance plan or policy, or employment agreement.

No Right to Continued Employment

Neither the grant of the Option, nor any other action taken hereunder shall be construed as giving you the right to be retained in the employ or service of the Company or any of its Subsidiaries (for the vesting period or any other period of time) nor interfere in any way with the Company's right to terminate your employment.

Applicable Law and Arbitration

This Agreement will be subject to and interpreted in accordance with the laws of the State of Delaware, without reference to the principles of conflicts of laws, and applicable Federal or other securities laws. Any dispute, controversy or claim arising out of or relating to the Plan or this Agreement that cannot be resolved by you on the one hand and the Company on the other, shall be submitted to arbitration in accordance with the terms of the Plan, except to the extent otherwise provided in this Agreement with respect to injunctive relief in aid of arbitration.

Delivery of Documents

The Company may, in its sole discretion, decide to deliver any documents related to the Option or other Awards granted to you under the Plan by electronic means. By signing the Cover Sheet, you consent to receive all documents related to the Option or other Awards granted to you under the Plan by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

Amendment

The terms and conditions of this Agreement and the Option may be amended by the Committee or the Board as permitted by the Plan.

The Plan and Other Agreements

The text of the Plan and any amendments thereto are incorporated in this Agreement by reference.

This Agreement, the Cover Sheet and the Plan constitute the entire understanding between you and the Company regarding this Option. Any prior agreements, commitments or negotiations concerning this Option are superseded. In the event there is any express conflict between this Agreement and the terms of the Plan, the terms of the Plan shall govern.

By signing the Cover Sheet of this Agreement, you agree to all of the terms and conditions described in the Cover Sheet, above and in the Plan and evidence your acceptance of the powers of the Committee of the Board of Directors of the Company that administers the Plan.

**HOSTESS BRANDS, INC.
2016 EQUITY INCENTIVE PLAN**

RESTRICTED STOCK UNIT AGREEMENT

Cover Sheet

Hostess Brands, Inc., a company incorporated under the laws of the State of Delaware (“Company”), hereby grants an award of restricted stock units (“RSUs”) to the individual named below. The terms and conditions of the RSUs are set forth in this cover sheet (“Cover Sheet”), in the attached Restricted Stock Unit Agreement (the “Agreement”) and in the Hostess Brands, Inc. 2016 Equity Incentive Plan (the “Plan”). All capitalized terms used but not defined in this Cover Sheet and the Agreement will have the meanings ascribed to such terms in the Plan.

Granted to:

Date of Grant:

Number of RSUs:

Vesting Commencement Date:

Vesting Schedule:

By signing this Cover Sheet, you agree to all of the terms and conditions described in this Cover Sheet, in the Agreement and in the Plan.

If you do not sign and return this Cover Sheet within 60 days of the Date of Grant, the Company will have the right to rescind this award.

Signature: _____ Date: _____

HOSTESS BRANDS, INC.

By: _____
Name:
Title:

HOSTESS BRANDS, INC.
RESTRICTED STOCK UNIT AGREEMENT

Right to Shares

The award of RSUs represents your right to receive, and the Company's obligation to deliver, one share of Common Stock (a "Share") per RSU, subject to the terms and conditions of this Agreement, the Plan and the Cover Sheet.

Vesting

The RSUs awarded to you will vest in accordance with the schedule set forth in the Cover Sheet.

All unvested RSUs will cease vesting and will be forfeited as of the date your employment with the Company and its Subsidiaries has terminated for any reason.

Delivery; Settlement

A number of Shares equal to the number of the RSUs that vest on each Vesting Date will be delivered as soon as practicable and within 60 days following the applicable Vesting Date, and upon such delivery, you shall have no further rights with respect to those RSUs.

Change of Control

Notwithstanding the foregoing:

(A) if there occurs a Change of Control, and this Award does not continue or is not assumed by an acquiror on a substantially equivalent basis, then all RSUs that have not yet vested shall vest immediately prior to the Change of Control; and

(B) if there occurs a Change of Control, and this Award continues or is assumed by an acquiror on a substantially equivalent basis, and you experience a Change in Control Termination as defined by the HB Key Executive Severance Benefit Plan, as in effect at the time of your termination of employment, then all RSUs that have not yet vested shall vest immediately on your date of termination.

A number of Shares equal to the number of the RSUs that vest in accordance with the preceding clauses (A) and (B) shall be delivered as soon as practicable and within 60 days following the applicable vesting date described above, and upon such delivery, you shall have no further rights with respect to those RSUs.

Termination

Should your employment with the Company and its Subsidiaries terminate for any reason except in connection with a Change of Control as described above, all of your RSUs then unvested and outstanding will terminate, and you will no longer have any rights in respect of such RSUs.

Termination for Cause or Breach of any Continuing Obligation; Recoupment

If your employment is terminated for Cause or if you breach any restrictive covenant under any agreement between you and the Company or its Subsidiaries, the RSUs, whether or not vested, will immediately terminate.

In addition, if at any time within one year after the date on which you receive payment in respect of the RSUs (whether in the form of cash or Shares), (a) your employment is terminated for Cause or (b) after termination of your employment for any reason, the Committee determines in its discretion either that (i) during your period of employment, you engaged in an act or omission that would have warranted termination of your employment for Cause, or (ii) after termination of your employment, you engaged in conduct that violated any continuing obligation or duty in respect of the Company or any Subsidiary (including any breach of any restrictive covenant under any agreement between you and the Company or any Subsidiary), then, subject to applicable law, upon notice from the Company, you shall repay to the Company any cash or Shares you received pursuant to the RSUs, or if you disposed of any such Shares, the Fair Market Value of such Shares as of the date of disposition.

Nothing in this Agreement shall limit the Company's right of recoupment pursuant to Section 13 of the Plan, including recoupment of payments pursuant to the Company's compensation recovery, "clawback" or similar policy, as may be in effect from time to time.

Taxes	You are solely responsible for the satisfaction of all taxes and penalties that may arise in connection with the award or settlement of the RSUs. At the time of taxation, the Company shall have the right to deduct from other compensation, or to withhold Shares in an amount equal to the federal (including FICA), state, local and foreign taxes and other amounts as may be required by law to be withheld with respect to the RSUs. If Shares are withheld, the value of the Shares withheld may not exceed the minimum applicable tax withholding amount (except as otherwise determined by the Committee in its sole discretion). By accepting this Award, you expressly consent to the withholding of Shares or other amounts payable to you.
Restrictions on Resale and Settlement	<p>By signing this Agreement, you agree not to sell any Shares received upon settlement of RSUs at a time when applicable laws, regulations or Company policies prohibit a sale. The Company's obligation to deliver Shares upon settlement of the RSUs shall be subject to applicable laws, rules and regulations and also to such approvals by governmental agencies as may be deemed appropriate to comply with relevant securities laws and regulations, and the Company will not permit the issuance of Shares at a time when such issuance would violate any law, rule, regulation or Company policy, as determined by the Company.</p> <p>Any Shares issued hereunder, and any cash proceeds realized from the sale of such Shares will be subject to all share retention, trading, and other policies that may be implemented by the Committee or the Board from time to time.</p>
Transfer of RSUs	<p>You cannot transfer or assign your RSUs. For instance, you may not sell RSUs or use them as security for a loan. If you attempt to do any of these things, your Award will immediately become invalid.</p> <p>Regardless of any marital property settlement agreement, the Company or a securities broker, as applicable, is not obligated to recognize your former spouse's interest in your right to RSUs in any way.</p>
Stockholder Rights; Dividend Equivalent Rights	<p>You, or your estate or heirs, have no rights as a stockholder of the Company in respect of RSUs unless and until Shares have been delivered in settlement of the RSUs.</p> <p>No adjustments are made for dividends or other rights if the applicable record date occurs before Shares are delivered, except as described in the Plan. However, to the extent you hold RSUs on the record date any cash dividend is declared on Shares, you will receive a dividend equivalent right ("DER"). A DER is a right to an amount, per RSU held, equal to the amount of the cash dividend declared and paid in respect of one Share. DERs will be credited in the form of additional RSUs, with the number of RSUs based on the Fair Market Value of a Share as of the date the dividend is paid (rounded down to the nearest whole Share). DERs will be subject to the same vesting and other conditions as the RSUs to which they relate. If and to the extent that the underlying RSUs are forfeited, all related DERs shall also be forfeited. DERs will be paid at the same time the underlying RSUs are settled.</p>
No Right to Continued Employment	Neither the grant of this Award, nor any other action taken hereunder shall be construed as giving you the right to be retained in the employ or service of the Company or any of its Subsidiaries (for the vesting period or any other period of time) nor interfere in any way with the Company's right to terminate your employment.
Applicable Law and Arbitration	This Agreement will be subject to and interpreted in accordance with the laws of the State of Delaware, without reference to the principles of conflicts of laws, and applicable Federal or other securities laws. Any dispute, controversy or claim arising out of or relating to the Plan or this Agreement that cannot be resolved by you on the one hand and the Company on the other, shall be submitted to arbitration in accordance with the terms of the Plan.
Certain Definitions	For purposes of this Agreement, "Cause" shall have the meaning set forth in the Employment Agreement between you and Hostess Brands, LLC entered into on April 12, 2018, as amended by the First Amendment to Employment Agreement dated as of August 1, 2018.

Delivery of Documents

The Company may, in its sole discretion, decide to deliver any documents related to this Award or other Awards granted to you under the Plan by electronic means. By signing the Cover Sheet, you consent to receive all documents related to this Award or other Awards granted to you under the Plan by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

Amendment

The terms and conditions of this Agreement and the RSUs may be amended by the Committee or the Board as permitted by the Plan.

The Plan and Other Agreements

The text of the Plan and any amendments thereto are incorporated in this Agreement by reference.

This Agreement, the Cover Sheet and the Plan constitute the entire understanding between you and the Company regarding the RSUs. Any prior agreements, commitments or negotiations concerning the RSUs are superseded. In the event there is any express conflict between this Agreement and the terms of the Plan, the terms of the Plan shall govern.

By signing the Cover Sheet of this Agreement, you agree to all of the terms and conditions described above and in the Plan and evidence your acceptance of the powers of the Committee of the Board of Directors of the Company that administers the Plan.

**HOSTESS BRANDS, INC.
2016 EQUITY INCENTIVE PLAN**

Performance Share UNIT award Agreement

Cover Sheet

Hostess Brands, Inc., a company incorporated under the laws of the State of Delaware ("Company"), hereby grants an award of performance share units ("PSUs") to the individual named below. The terms and conditions of the PSUs are set forth in this cover sheet ("Cover Sheet"), in the attached Performance Share Award Agreement (the "Agreement") and in the Hostess Brands, Inc. 2016 Equity Incentive Plan (the "Plan"). All capitalized terms used but not defined in this Cover Sheet and the Agreement will have the meanings ascribed to such terms in the Plan.

Granted to:

Date of Grant:

Performance Period:

Performance Metric:

Target Number of PSUs:

Performance Goal:

Maximum		
Target		
Threshold or below		

Vesting Date:

By signing this Cover Sheet, you agree to all of the terms and conditions described in this Cover Sheet, in the Agreement and in the Plan.

If you do not sign and return this Cover Sheet within 60 days of the Date of Grant, the Company will have the right to rescind this Award.

Signature: _____ Date: _____

HOSTESS BRANDS, INC.

By: _____

Name:

Title:



HOSTESS BRANDS, INC.
Performance Share AWARD AGREEMENT

Right to Shares

The award of PSUs represents your right to receive, and the Company's obligation to issue, one share of the Company's Class A Common Stock (a "Share") for each PSU that is or becomes a Vested PSU (as described below) on the Vesting Date, subject to the terms of this Agreement. Such issuance will occur as soon as practicable following the date the Committee certifies the extent to which Performance Goal has been satisfied as of the Vesting Date, determined in accordance with Exhibit A attached hereto, but no later than 70 days following the Vesting Date. Notwithstanding the foregoing, the Company will not permit the issuance of Shares at a time when such issuance would violate any law, rule, regulation or Company policy, as determined by the Company.

Vested PSUs

The number of PSUs, if any, that become Vested PSUs will be determined as of the end of the Performance Period, based on the extent to which the Performance Goal, as set forth in the Cover Sheet, has been achieved for the Performance Period, as determined in accordance with Exhibit A and certified by the Committee. If actual performance is equal to or below the threshold Performance Goal for the Performance Period, then no PSUs will become Vested PSUs for the Performance Period. If the target Performance Goal has been achieved for the Performance Period, then the target number of PSUs for the Performance Period, as set forth on the Cover Sheet, will become Vested PSUs for the Performance Period. If the maximum Performance Goal (or greater) has been achieved for the Performance Period, then the maximum number of PSUs for the Performance Period, as set forth on the Cover Sheet, will become Vested PSUs for the Performance Period. If actual performance falls between the threshold Performance Goal and the target Performance Goal, or between the target Performance Goal and the maximum Performance Goal, the number of PSUs that become Vested PSUs will be determined by linear interpolation between the respective performance inflection points.

Performance Metric

As set forth in the Cover Sheet, the Performance Metric shall be , as defined and further described in Exhibit A.

Vesting; Forfeiture

On the Vesting Date, your right to issuance of the Shares underlying any PSUs that are Vested PSUs as of the Vesting Date shall become vested and nonforfeitable. Should your employment with the Company and its Subsidiaries terminate for any reason prior to the Vesting Date, all PSUs will be forfeited and you will have no right to the issuance of any Shares hereunder. Notwithstanding the foregoing, if such termination is other than (i) by you voluntarily without Good Reason or (ii) by the Company for Cause, the date of such termination will be treated as if it were the Vesting Date, and you will be entitled to issuance of a number of Shares underlying any PSUs that would become Vested PSUs determined as if the Performance Period ended on the termination date, and the number of PSUs as set forth in the Cover Sheet was prorated to reflect the shortened Performance Period, but your rights in respect of any additional PSUs will be forfeited. Issuance of shares underlying Vested PSUs shall occur within 70 days following your termination of employment.

Termination for Cause; Breach of any Continuing Obligation; Recoupment

If your employment is terminated for Cause or if you breach any restrictive covenant under any agreement between you and the Company or its Subsidiaries, the PSUs, whether or not vested, will immediately terminate.

In addition, if at any time within one year after the date on which you receive payment in respect of the PSUs (whether in the form of cash or Shares), (a) your employment is terminated for Cause or (b) after termination of your employment for any reason, the Committee determines in its discretion either that (i) during your period of employment, you engaged in an act or omission that would have warranted termination of your employment for Cause or (ii) after termination of your employment, you engaged in conduct that violated any continuing obligation or duty in respect of the Company or any Subsidiary (including any breach of any restrictive covenant under any agreement between you and the Company or any Subsidiary), then, subject to applicable law, upon notice from the Company, you shall repay to the Company any cash or Shares you received pursuant to the PSUs, or if you disposed of any such Shares, the Fair Market Value of such Shares as of the date of disposition.

Nothing in this Agreement shall limit the Company's right of recoupment pursuant to Section 13 of the Plan, including recoupment of payments pursuant to the Company's compensation recovery, "clawback" or similar policy, as may be in effect from time to time.

Change of Control

Notwithstanding the foregoing:

(A) If there occurs a Change of Control prior to the Vesting Date, and this Award does not continue or is not assumed by an acquiror, then the date of such Change of Control will be treated as if it were the Vesting Date, and you will be entitled to issuance a number of Shares underlying any PSUs that would become Vested PSUs determined as if the Performance Period ended on the date of the Change of Control, and the number of PSUs as set forth in the Cover Sheet was prorated to reflect the shortened Performance Period. Issuance of shares underlying Vested PSUs determined in accordance with this subsection (A) shall occur within 70 days following the Change of Control; and

(B) If there occurs a Change of Control, and this Award continues or is assumed by an acquiror, and you experience a Change in Control Termination as defined by the HB Key Executive Severance Benefit Plan, as in effect at the time of your termination of employment, then the number of PSUs that become Vested PSUs as of the date of such termination shall be equal to the target number of PSUs, as set forth on the Cover Sheet. Issuance of shares underlying Vested PSUs determined in accordance with this subsection (B) shall occur within 70 days following your termination of employment.

For purposes of the foregoing, this Award shall not be treated as continued or assumed unless it is continued or assumed on a substantially equivalent basis, including, without limitation, continuation or assumption of the Performance Metric and Performance Goals.

Taxes

You are solely responsible for the satisfaction of all taxes and penalties that may arise in connection with the award or settlement of the PSUs. At the time of taxation, the Company shall have the right to deduct from other compensation, or to withhold Shares in an amount equal to the federal (including FICA), state, local and foreign taxes and other amounts as may be required by law to be withheld with respect to the PSUs. If Shares are withheld, the value of the Shares withheld may not exceed the minimum applicable tax withholding amount (except as otherwise determined by the Committee in its sole discretion). By accepting this Award, you expressly consent to the withholding of Shares or other amounts payable to you.

Restrictions on Resale/ Company Policies

By signing this Agreement, you agree not to sell any Shares received hereunder at a time when applicable laws, regulations or Company policies prohibit a sale. Any Shares issued hereunder, and any cash proceeds realized from the sale of such Shares will be subject to all share retention, trading, and other policies that may be implemented by the Committee or the Board from time to time.

Transfer of right to receive PSUs

You cannot transfer or assign your PSUs. For instance, you may not sell your right to PSUs or use such right as security for a loan. If you attempt to do any of these things, your Award will immediately become invalid.

Regardless of any marital property settlement agreement, the Company or a securities broker, as applicable, is not obligated to recognize your former spouse's interest in your right to PSUs in any way.

Stockholder Rights

You, or your estate or heirs, have no rights as a stockholder of the Company in respect of PSUs, unless and until the underlying Shares are issued. No adjustments are made for dividends or other rights if the applicable record date occurs before Shares are issued, except as described in the Plan. However, to the extent you hold PSUs on the record date any cash dividend is declared on Shares, you will receive a dividend equivalent right ("DER"). A DER is a right to an amount, per PSU held, equal to the amount of the cash dividend declared and paid in respect of one Share. DERs will be credited in the form of additional PSUs, with the number of PSUs based on the Fair Market Value of a Share as of the date the dividend is paid (rounded down to the nearest whole Share). DERs will be subject to the same vesting and other conditions as the PSUs. If and to the extent that the underlying PSUs are forfeited, all related DERs shall also be forfeited. DERs will be paid at the same time the underlying PSUs are settled if and to the extent that the underlying PSUs vest and become payable.

No Right to Continued Employment

Neither the grant of this Award, nor any other action taken hereunder shall be construed as giving you the right to be retained in the employ or service of the Company or any of its Subsidiaries (for the vesting period or any other period of time) nor interfere in any way with the Company's right to terminate your employment.

Applicable Law and Arbitration This Agreement will be subject to and interpreted in accordance with the laws of the State of Delaware, without reference to the principles of conflicts of laws, and applicable Federal or other securities laws. Any dispute, controversy or claim arising out of or relating to the Plan or this Agreement that cannot be resolved by you on the one hand and the Company on the other, shall be submitted to arbitration in accordance with the terms of the Plan.

Certain Definitions For purposes of this Agreement, "Cause" and "Good Reason" shall have the meanings set forth in the Employment Agreement between you and Hostess Brands, LLC entered into on April 12, 2018, as amended by First Amendment to Employment Agreement dated as of August 1, 2018.

Delivery of Documents The Company may, in its sole discretion, decide to deliver any documents related to this Award or other Awards granted to you under the Plan by electronic means. By signing the Cover Sheet, you consent to receive all documents related to this Award or other Awards granted to you under the Plan by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

Amendment The terms and conditions of this Agreement and the PSUs may be amended by the Committee or the Board as permitted by the Plan.

The Plan and Other Agreements The text of the Plan and any amendments thereto are incorporated in this Agreement by reference.

This Agreement, the Cover Sheet and the Plan constitute the entire understanding between you and the Company regarding the PSUs. Any prior agreements, commitments or negotiations concerning the PSUs are superseded. In the event there is any express conflict between this Agreement, the Cover Sheet and the terms of the Plan, the terms of the Plan shall govern.

By signing the Cover Sheet of this Agreement, you agree to all of the terms and conditions described above and in the Plan and evidence your acceptance of the powers of the Committee of the Board of Directors of the Company that administers the Plan.

**HOSTESS BRANDS, INC.
2016 EQUITY INCENTIVE PLAN
Performance Share UNIT award Agreement**

Exhibit A

**HOSTESS BRANDS, INC.
2016 EQUITY INCENTIVE PLAN**

NONQUALIFIED Stock Option Agreement

Cover Sheet

Hostess Brands, Inc. (the "Company"), a company organized under the laws of the State of Delaware, hereby grants a Nonqualified Stock Option (the "Option") to acquire shares of Common Stock (the "Shares") to the individual named below. The terms and conditions of the Option are set forth in this cover sheet (the "Cover Sheet"), in the attached Stock Option Agreement (the "Agreement") and in the Hostess Brands, Inc. 2016 Equity Incentive Plan (the "Plan"). All capitalized terms used but not defined in this Cover Sheet and the attached Stock Option Agreement will have the meanings ascribed to such terms in the Plan.

Granted to:
Date of Grant:
Shares subject to the Option:
Exercise Price per Share:
Expiration Date:
Vesting Commencement Date:
Vesting Schedule:

By signing this Cover Sheet, you agree to all of the terms and conditions described in this Cover Sheet, in the Agreement and in the Plan.

If you do not sign and return this Cover Sheet within 60 days of the Date of Grant, the Company will have the right to rescind this Award.

Signature: _____ Date: _____

HOSTESS BRANDS, INC.

By: _____
Name:

Title:

HOSTESS BRANDS, INC.
NONQUALIFIED STOCK OPTION AGREEMENT

Nonqualified Stock Option	This Option is not intended to be an Incentive Stock Option under section 422 of the Internal Revenue Code and will be interpreted accordingly.
Vesting	<p>Your right to exercise this Option vests at the times and in the manner as shown on the Cover Sheet.</p> <p>Except in connection with a Change of Control, as described below, this Option will cease vesting as of the date your employment with the Company and its Subsidiaries has terminated for any reason.</p>
Termination	Should your employment with the Company and its Subsidiaries terminate for any reason except in connection with a Change of Control as described below, the portion of this Option that is not then vested will immediately terminate, and, except as provided below, the portion that is then vested will terminate at the close of business at the Company's registered office on the 90th day after your termination date. Your Option will expire in any event at the close of business at the Company's registered office on the Expiration Date set forth on the Cover Sheet.
Death or Disability	If your employment terminates because of your death or Disability, your right to exercise the vested portion of this Option will expire at the close of business at the Company's registered office on the date that is one year following your death or Disability (or on the Expiration Date set forth on the Cover Sheet, if earlier).
Termination for Cause or Breach of any Continuing Obligation; Recoupment	<p>If your employment is terminated for Cause or if you breach any restrictive covenant under any agreement between you and the Company or its Subsidiaries, the Option, whether or not vested, will immediately terminate.</p> <p>In addition, if at any time within one year after the date on which you exercise the Option or otherwise receive payment in respect of the Option, (a) your employment is terminated for Cause or (b) after termination of your employment for any reason, the Committee determines in its discretion either that (i) during your period of employment, you engaged in an act or omission that would have warranted termination of your employment for Cause, or (ii) after termination of your employment, you engaged in conduct that violated any continuing obligation or duty in respect of the Company or any Subsidiary (including any breach of any restrictive covenant under any agreement between you and the Company or any Subsidiary), then, subject to applicable law, upon notice from the Company, you shall repay to the Company any cash or Shares you received in respect of the Option (less the exercise price paid by you), or if you disposed of any such Shares, the Fair Market Value of such Shares as of the date of disposition (less the exercise price paid by you).</p> <p>Nothing in this Agreement shall limit the Company's right of recoupment pursuant to Section 13 of the Plan, including recoupment of payments pursuant to the Company's compensation recovery, "clawback" or similar policy, as may be in effect from time to time.</p>
Change of Control	Notwithstanding the foregoing, in the event of a Change of Control, the Committee may take such actions with respect to the Option as it deems appropriate pursuant to the Plan. If the Option continues in effect after a Change of Control and you experience a Change in Control Termination as defined by the HB Key Executive Severance Benefit Plan, as in effect at the time of your termination of employment, any unvested portion of the Option shall become fully vested upon such termination of employment.
Restrictions on Exercise	The Company will not permit you to exercise this Option if the issuance of Shares at that time would violate any law, rule, regulation or Company policy, as determined by the Company.

Notice of Exercise	<p>When you wish to exercise this Option, you must complete and execute such documents, if any, and complete such processes, that the Company or a securities broker approved by the Company may require to accomplish the Option exercise (“Notice of Exercise”).</p> <p>Upon exercise of the Option (or portion thereof), the Option (or portion thereof) will terminate and cease to be outstanding.</p> <p>If someone else wants to exercise the Option after your death, that person must prove to the Company’s satisfaction that he or she is entitled to do so.</p>
Form of Payment	<p>When you submit your Notice of Exercise, you must include payment of the exercise price for the Shares you are purchasing, along with applicable withholding taxes. Payment may be made in one (or a combination) of the following forms:</p> <ul style="list-style-type: none"> - Your personal check, a cashier’s check or a money order. - If permitted by the Company, irrevocable directions to a securities broker approved by the Company to sell your Shares subject to the Option and to deliver all or a portion of the sale proceeds to the Company in payment of the exercise price and applicable withholding taxes. (The balance of the sale proceeds, if any, will be delivered to you.) The directions must be given by signing forms, if any, provided by the Company or the securities broker. - Any other method permitted by the Company at the time of exercise.
Taxes	<p>When you exercise any portion of the Option, the Company will withhold taxes as required by applicable law, and your ability to exercise any portion of the Option is conditional upon your making arrangements satisfactory to the Company.</p> <p>You are solely responsible for the satisfaction of all taxes and penalties that may arise in connection with the Option. At the time of taxation, the Company shall have the right to deduct from other compensation, or to withhold Shares in an amount equal to the federal (including FICA), state, local and foreign taxes and other amounts as may be required by law to be withheld with respect to the exercise of the Option. If Shares are withheld, the value of the Shares withheld may not exceed the minimum applicable tax withholding amount (except as otherwise determined by the Committee in its sole discretion). By accepting this Award, you expressly consent to the withholding of Shares or other amounts payable to you.</p>
Restrictions on Resale/Company Policies	<p>By signing this Agreement, you agree not to sell any Shares received upon exercise of the Option at a time when applicable laws, regulations or Company policies prohibit a sale. The Option, any Shares issued pursuant to the Option, and any cash proceeds realized from the sale of such Shares will be subject to all share retention, trading, and other policies that may be implemented by the Committee or the Board from time to time.</p>
Transfer of Option	<p>Prior to your death, only you may exercise this Option. You cannot transfer or assign this Option. For instance, you may not sell this Option or use it as security for a loan. If you attempt to do any of these things, this Option will immediately become invalid.</p> <p>In the event of your death, the Option may be exercised by your designated beneficiary, if any, or your executors, personal representatives or distributees determined in accordance with your will or the laws of descent and distribution.</p> <p>Regardless of any marital property settlement agreement, the Company or a securities broker, as applicable, is not obligated to honor a Notice of Exercise from your former spouse, nor is the Company or the securities broker obligated to recognize your former spouse’s interest in your Option in any other way.</p>
Stockholder Rights	<p>You, or your estate or heirs, have no rights as a stockholder of the Company with respect to the Shares subject to the Option until a proper Notice of Exercise has been submitted, and the exercise price and withholding taxes have been tendered and the Shares have been delivered to you. Upon the delivery of shares of Common Stock upon exercise, you will have all the rights of a shareholder with respect to such shares of Common Stock, including the right to vote such shares of Common Stock and to receive all dividends and other distributions paid with respect to them.</p>

No Right to Continued Employment	Neither the grant of the Option, nor any other action taken hereunder shall be construed as giving you the right to be retained in the employ or service of the Company or any of its Subsidiaries (for the vesting period or any other period of time) nor interfere in any way with the Company's right to terminate your employment.
Applicable Law and Arbitration	This Agreement will be subject to and interpreted in accordance with the laws of the State of Delaware, without reference to the principles of conflicts of laws, and applicable Federal or other securities laws. Any dispute, controversy or claim arising out of or relating to the Plan or this Agreement that cannot be resolved by you on the one hand and the Company on the other, shall be submitted to arbitration in accordance with the terms of the Plan.
Certain Definitions	For purposes of this Agreement, "Cause" shall have the meaning set forth in the Employment Agreement between you and Hostess Brands, LLC entered into on April 12, 2018, as amended by the First Amendment to Employment Agreement dated as of August 1, 2018.
Delivery of Documents	The Company may, in its sole discretion, decide to deliver any documents related to the Option or other Awards granted to you under the Plan by electronic means. By signing the Cover Sheet, you consent to receive all documents related to the Option or other Awards granted to you under the Plan by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.
Amendment	The terms and conditions of this Agreement and the Option may be amended by the Committee or the Board as permitted by the Plan.
The Plan and Other Agreements	<p>The text of the Plan and any amendments thereto are incorporated in this Agreement by reference.</p> <p>This Agreement, the Cover Sheet and the Plan constitute the entire understanding between you and the Company regarding this Option. Any prior agreements, commitments or negotiations concerning this Option are superseded. In the event there is any express conflict between this Agreement and the terms of the Plan, the terms of the Plan shall govern.</p>
<i>By signing the Cover Sheet of this Agreement, you agree to all of the terms and conditions described in the Cover Sheet, above and in the Plan and evidence your acceptance of the powers of the Committee of the Board of Directors of the Company that administers the Plan.</i>	

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Andrew P. Callahan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hostess Brands, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2019

/s/ Andrew P. Callahan

President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Thomas A. Peterson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hostess Brands, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2019

/s/ Thomas A. Peterson

*Executive Vice President, Chief Financial Officer
(Principal Financial and Accounting Officer)*

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Hostess Brands, Inc., (the "Company") on Form 10-Q for the fiscal quarter ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Andrew P. Callahan, Chief Executive Officer of the Company, certify, based on my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 8, 2019

/s/ Andrew P. Callahan

President and Chief Executive Officer
(Principal Executive Officer)

This certification accompanies the Report to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-K), irrespective of any general incorporation language contained in such filing.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Hostess Brands, Inc., (the "Company") on Form 10-Q for the fiscal quarter ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas A. Peterson, Chief Financial Officer of the Company, certify, based on my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 8, 2019

/s/ Thomas A. Peterson

*Executive Vice President, Chief Financial Officer
(Principal Financial and Accounting Officer)*

This certification accompanies the Report to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-K), irrespective of any general incorporation language contained in such filing.