New disclosure requirements about Employer's Participation in a Multiemployer Plan

During 2011, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2011-09 - Disclosures about an Employer's Participation in a Multiemployer Plan. The updated guidance, effective for non-public companies for fiscal years ending after December 15, 2012, was issued to address concerns from various users of financial statements on the lack of transparency about an employer's participation in a multiemployer pension plan.

The new accounting standard will require that companies disclose the following for "individually significant plans":

- Legal name and EIN
- Pension Protection Act certified zone status for each balance sheet presented. The zone status ranks the funded status of multiemployer pension plans depending upon a plan’s current and projected funding. If the zone status is not available, an employer shall disclose, whether the plan was:
  - Less than 65% funded (red zone)
  - Between 65% and 80% funded (yellow zone if considered endangered or orange zone if considered seriously endangered)
  - At least 80% funded (green zone)
- Status of implementation of funding improvement or rehabilitation plan, if any
- Expiration date of collective bargaining agreements and any minimum funding arrangements
- Employer contributions made to the plan during the year
- Whether the employer's contributions represent more than 5% of total contributions to the plan
- If a Form 5500 is not publically available, a plan description, the plan's financial information and the company's responsibility for obligations of the plan

A plan is considered to be individually significant to the company if the company's contributions are significant to either the plan or to the company, however other factors such as the severity of the underfunded status of the plan should be considered when determining whether the plan is significant.

The majority of the above information will need to be obtained directly from each union that the company is a member. We suggest that you contact your union(s) as soon as possible to give them sufficient time to provide the necessary data to be included in your financial statements.

The new accounting standard will also require that companies disclose the following for all plans:

- Total contributions made to all plans that are not individually significant
- Total contributions made to all plans in the aggregate
- Recognize liability for any contributions due at the reporting date

Accounting standards for contingencies will still apply to obligations due to withdrawal from a multiemployer plan.
Sample footnote disclosure:

For union employees, the company contributes to multiemployer pension plans jointly administered by industry and union representatives. The risk of participating in U.S. multiemployer pension plans is different from single-employer pension plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits of employment to other participating employers
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers
- If the Company stops participating in some of its multiemployer pension plans, it may be required to pay those plans an amount based on the underfunded status of the entire plan

The Company’s participation in these plans for the year ended December 31, 2012 is outlined in the following table. All information in the table is as of December 31 of the relevant year unless otherwise noted. The Plan Protection Act (“PPA”) zone status column ranks the funded status of multiemployer pension plans depending upon a plan’s current and projected funding. The zone status is based on information that the Company received from the plan. Among other factors, the plan is in the Red Zone (Critical) if it has a current funded percentage less than 65%. A plan is in the Yellow Zone (Endangered) or Orange Zone (Seriously Endangered) if it has a current funded percentage of less than 80%, or projects a credit balance deficit within seven years. A plan is in the Green Zone (Healthy) if it has a current funded percentage greater than 80% and does not have a projected credit balance deficit within seven years. The Funding Improvement Plan (“FIP”)/Rehabilitation Plan (“RP”) status column indicates plans for which a FIP or RP is either pending or in place.

The following table contains information about the Company’s multiemployer pension plans for the years ended December 31, 2012 and 2011:

<table>
<thead>
<tr>
<th>Plan Name</th>
<th>Employer Identification Number - Plan Number</th>
<th>PPA Status</th>
<th>FIP/RP Status Pending/Implemented</th>
<th>Company Contributions</th>
<th>Expiration dates of Collective Bargaining Agreements</th>
<th>Company Contributions &gt; 5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sample Plan 1</td>
<td>XX-XXXXXXX-XXX</td>
<td>Green</td>
<td>Yellow</td>
<td>$XXX,XXX</td>
<td>05/13/12 to 10/31/16</td>
<td>Yes Yes</td>
</tr>
<tr>
<td>Sample Plan 2</td>
<td>XX-XXXXXXX-XXX</td>
<td>Red</td>
<td>Orange</td>
<td>$XXX,XXX</td>
<td>05/13/12 to 10/31/16</td>
<td>Yes Yes</td>
</tr>
<tr>
<td>Other Plans</td>
<td></td>
<td></td>
<td></td>
<td>$XXX,XXX</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total contributions to multiemployer pension plans</strong></td>
<td></td>
<td></td>
<td></td>
<td>$XXX,XXX</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Company currently has no intention of withdrawing from any of the multiemployer pension plans in which they participate.

Additional information:

Feel free to contact us on this, or any other accounting or reporting issues, at info@ssfllp.com or our team below:

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