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AMERICAN FEDERATION OF MUSICIANS AND EMPLOYERS' PENSION PLAN

REHABILITATION PLAN

April 15, 2010

I. INTRODUCTION

The Pension Protection Act of 2006 ("PPA") requires an annual actuarial status determination for multiemployer pension plans including the American Federation of Musicians and Employers' Pension Plan (the "Plan"). On April 15, 2010, the Plan was certified by its actuary, Milliman Inc. ("Milliman"), to be in critical status, also known as the "red zone", for the plan year beginning on April 1, 2010 and ending on March 31, 2011 (the "2010 Plan Year"). The certification of critical status was based upon the Plan actuary's determination that the Plan is projected to have an accumulated funding deficiency for the plan year ending March 31, 2011.

The PPA requires that the board of trustees of a multiemployer pension plan that has been certified by its actuary as being in critical status develop a rehabilitation plan that is intended to improve the plan's funding over a period of years. A rehabilitation plan sets forth the actions to be taken by the pension plan's trustees, as well as the collective bargaining parties, to enable the plan to emerge from critical status or forestall possible insolvency. The rehabilitation plan must be based on reasonably anticipated experience and reasonable actuarial assumptions regarding investment income and other experience of the plan over a period of future years.¹

II. REHABILITATION PLANS GENERALLY

A rehabilitation plan consists of either (i) actions (including increases in employer contributions to, and/or reductions in benefits under, the plan) that, based on reasonably anticipated experience and reasonable actuarial assumptions, are formulated to enable the plan to emerge from critical status no later than the end of a 10-year "rehabilitation period"; or (ii) reasonable measures implemented by the plan's trustees that are expected to enable the plan to emerge from critical status after such 10-year period, or to forestall possible plan insolvency, if the trustees determine that, based on reasonable actuarial assumptions and upon exhaustion of all reasonable measures, the plan cannot reasonably be expected to emerge from critical status by the end of the 10-year rehabilitation period.²

After extensive deliberations and consultations with Milliman and Plan legal counsel, as well as an in-depth review of a variety of possible alternatives, the Board of Trustees of the Plan (the "Board") has concluded that, based on reasonable actuarial assumptions and upon exhaustion of all reasonable measures, the Plan cannot reasonably be expected to emerge from critical status by the end of a 10-year rehabilitation period. Further information regarding that conclusion is described in greater detail below.

¹ All of these requirements are set forth in Section 305(e)(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and Section 432(e)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

² The 10-year rehabilitation period begins with the first plan year that begins two years after adoption of the rehabilitation plan or, if earlier, the first plan year after expiration of collective bargaining agreements (in effect when the actuarial certification for the first critical year was due) covering at least 75% of the plan's active participants, although the rehabilitation plan may be effective before the 10-year rehabilitation period begins. In the case of the Plan, the 10-year rehabilitation period begins April 1, 2013.

Accordingly, the Board adopted this rehabilitation plan (the “Rehabilitation Plan”) on April 15, 2010 as the best long-term option for improving the funded status of the Plan and determined that it is in the best interest of the Plan and its participants and beneficiaries. The Rehabilitation Plan consists of a single schedule, known as the “default schedule” required by the PPA, and employs reasonable measures to enable the Plan to emerge from critical status.

III. OVERVIEW OF REHABILITATION PLAN

The Rehabilitation Plan consists of a single schedule that sets forth both benefit modifications and the employer contribution requirements. Under the PPA, the collective bargaining parties are responsible for adopting a contribution schedule consistent with the Rehabilitation Plan.

The main elements of the Rehabilitation Plan are as follows:

1. Effective April 1, 2010, the Board will seek approval, from the Internal Revenue Service (the “IRS”), for the Plan to obtain a 5-year extension of the period for amortizing unfunded liabilities of the Plan. This provision is described in more detail in Section IV below.
2. In addition to the reduction in the Plan’s “Benefit Multiplier” that was effective January 1, 2010, the following benefits and benefit alternatives currently available under the Plan will be eliminated: (i) early retirement subsidies; (ii) benefit guarantees for the single life annuity; (iii) “pop-up” and benefit guarantee features of the 50% joint and survivor annuity; (iv) post-normal retirement age subsidies; (v) certain forms of benefit for merged plans; and (vi) the lump-sum form of benefit offered by the Plan (not including lump sums with an actuarial present value of \$5,000 or less.). These changes, which generally become effective as of June 1, 2010, are described in more detail in Section V below.
3. The Rehabilitation Plan will require additional employer contributions to the Plan. Additional employer contributions are necessary to enable the Plan to emerge from critical status after future benefit accruals and other benefits have been reduced to the maximum extent permitted by law. The employer contribution requirements are described in more detail in Section VI below.

IV. EXTENSION OF AMORTIZATION

Section 431(d) of the Code and Section 304(d) of ERISA generally permit multiemployer plans to apply for IRS approval to extend (by up to five years) the period over which the plan’s unfunded liability is amortized. Such applications, properly submitted, are automatically granted by law. The Rehabilitation Plan provides that the Board will apply to the IRS for this automatic extension of amortization effective April 1, 2010.

V. BENEFIT MODIFICATIONS

A. Recent Change in Future Benefit Accruals

The monthly pension benefit payable to participants in the form of a single life annuity generally is computed by multiplying each \$100 of employer contributions earned by a participant by a specified dollar amount (the “Benefit Multiplier”). In anticipation of the need to develop a Rehabilitation Plan, and to facilitate what the Board hopes will be the Plan’s ultimate financial recovery, the Board decided in October 2009 to reduce the Benefit Multiplier for benefits earned under the Plan on and after January 1, 2010 from \$2.00 to \$1.00 for benefits beginning at age 65. Corresponding revisions were made to the Benefit Multiplier for benefits commencing between the ages of 55 and 64.

While it is not technically part of the Rehabilitation Plan, the \$1.00 Benefit Multiplier was adopted in anticipation of the Plan entering critical status.³ The \$1.00 Benefit Multiplier is the equivalent of a 1% monthly benefit accrual, which is the minimum rate permitted by a default schedule under the PPA. The Board considered the possibility of adopting an alternative schedule reducing the Benefit Multiplier below \$1.00 in order to enable the Plan to emerge from critical status more rapidly. However, after lengthy deliberations, the Board ultimately concluded that the same likely effects of reducing the Benefit Multiplier to \$1.00 that had made that decision so difficult – primarily, the wholly inadequate retirement benefits resulting from the reduction, and the consequent incentive for bargaining parties to withdraw from the plan and turn to alternative retirement vehicles that provide greater benefits for their contribution dollars – were of even greater concern when considering an even further reduction. These concerns were exacerbated by the fact that an alternative schedule would be extremely costly, if not impossible, to administer, given the large number of employers contributing to the Plan and the freelance nature of much of the covered employment.

B. Description of Additional Benefit Modifications

The Rehabilitation Plan requires the additional modifications set forth below effective for pension benefit payments with an annuity starting date on or after June 1, 2010, including participants with respect to whom contributions are not currently required to be made. However, these benefit reductions will not apply to pension benefit payments with an annuity starting date of June 1, 2010 if the initial application for benefits was postmarked (or received in the Fund Office, in the case of applications delivered by fax or by hand) on or before February 24, 2010.

These reductions will include the following:

1. Elimination of the Early Retirement Subsidy

For benefits commencing prior to June 1, 2010, the portion of early retirement benefits earned by the participant before 2004 includes a subsidy from the Plan that is costly. The Rehabilitation Plan eliminates the subsidy. Thus, the Benefit Multiplier for benefits beginning at ages prior to 65 (expressed as a single life annuity) will be the actuarial equivalent of the Benefit Multiplier for benefits beginning at age 65, without any subsidy.

Accordingly, under the Rehabilitation Plan, all benefits will be based on the applicable Benefit Multiplier per \$100 of contributions (rounded to the nearest \$100) set forth in the chart below. Benefit Multipliers for early retirement benefits (ages 55 to 64) for amounts earned beginning in 2004 were never subsidized, so only the shaded Benefit Multipliers reflected in column A are being adjusted by the Rehabilitation Plan.

³ By way of historical background, the Trustees began to discuss reducing the Benefit Multiplier in late 2008 in view of the effect of the substantial investment losses affecting the Plan and most other U.S. retirement plans, but could not initially agree on the amount of the reduction. The Union Trustees were deeply concerned, based on their experiences negotiating collective bargaining agreements and their understanding of the various bargaining parties, that a reduction below \$2.00 would cause many bargaining parties to decide to leave the Plan. The Employer Trustees believed that it was necessary to take that risk in view of the Plan's funding problems. The Board ultimately agreed to reduce the Benefit Multiplier to \$2.00 effective May 1, 2009, and deadlocked over whether to reduce the Benefit Multiplier still further to \$1.00. The Board was able to reach agreement on this matter only shortly before an arbitration to resolve it was scheduled to occur, when the Union Trustees reluctantly concluded that the Plan's funding problems were unlikely to be remedied solely by market gains, at least in the short term.

	A <i>modified</i>	B unchanged	C unchanged	D unchanged	E unchanged
Age at Annuity Starting Date	Benefits earned before January 1, 2004	Benefits earned on or after January 1, 2004 and before April 1, 2007	Benefits earned on or after April 1, 2007 and before May 1, 2009	Benefits earned on or after May 1, 2009 and before January 1, 2010	Benefits earned on or after January 1, 2010
65 or older	\$4.65	\$3.50	\$3.25	\$2.00	\$1.00
64	\$4.16	\$3.13	\$2.91	\$1.79	\$0.90
63	\$3.75	\$2.82	\$2.62	\$1.61	\$0.80
62	\$3.36	\$2.53	\$2.35	\$1.45	\$0.72
61	\$3.04	\$2.29	\$2.13	\$1.31	\$0.65
60	\$2.75	\$2.07	\$1.92	\$1.18	\$0.59
59	\$2.48	\$1.87	\$1.74	\$1.07	\$0.53
58	\$2.26	\$1.70	\$1.58	\$0.97	\$0.49
57	\$2.05	\$1.54	\$1.43	\$0.88	\$0.44
56	\$1.86	\$1.40	\$1.30	\$0.80	\$0.40
55	\$1.70	\$1.28	\$1.19	\$0.73	\$0.37

2. Elimination of the Benefit Guarantee for Single Life Annuity

For pension benefits payable in the form of a single life annuity, there is currently a guaranteed payment of 100 times the portion of the monthly pension benefit as of the participant’s annuity starting date for accruals earned prior to 2004. Under the guarantee, if a participant dies before receiving a total of 100 times the portion of the monthly benefit earned prior to 2004, the designated beneficiary receives the balance of that amount. The Rehabilitation Plan eliminates the guaranteed payment. Thus, the single life annuity will provide for monthly payments for the life of the retired participant and will cease at the participant’s death.

3. Elimination of the “Pop-Up” Feature of the 50% Joint and Survivor Annuity

For pension benefits payable in the form of a 50% joint and survivor annuity, if the joint annuitant dies before the participant, and within five years of the participant’s annuity starting date, the portion of the benefit earned prior to 2004 currently increases to what it would have been if the participant had elected a single life annuity form of benefit. The Rehabilitation Plan eliminates this “pop-up” feature. Accordingly, the death of the joint annuitant after the annuity starting date will no longer have any effect on the participant’s monthly benefit.

4. Elimination of the Benefit Guarantee for 50% Joint and Survivor Annuity

For pension benefits payable in the form of a 50% joint and survivor annuity, if the participant and joint annuitant both die within five years of the participant’s annuity starting date, the Plan currently pays the participant’s beneficiary the balance of the five years of monthly benefit payments on the portion of the benefit earned by the participant prior to 2004. The Rehabilitation Plan eliminates this payment guarantee. Accordingly, there will no longer be any continuing payments after the death of the retired participant and his or her joint annuitant.

5. Elimination of the Post-Normal Retirement Age Subsidy

For participants who begin to receive their pension benefit after normal retirement age (generally age 65), the Plan currently pays the amount payable at normal retirement age, increased to account for the late commencement using

simplified factors. This results in a benefit that is greater than if it were computed using actuarial equivalent factors. Under the Rehabilitation Plan, the benefit payable after normal retirement age will be increased using the interest and mortality assumptions that achieve actuarial equivalence.

6. Elimination of Merged Plan Forms of Benefit

Under the Rehabilitation Plan, benefits earned by individuals who participated in either the AFM Retirement Plan or the AFM-EPF Staff Retirement Plan prior to merger with the Plan will be paid to these individuals only in the same benefit forms that are generally available with respect to benefits under the Plan.

7. Elimination of Lump-Sum Form of Payment for Retirement Account Benefit

The Plan currently permits participants to receive a lump-sum payment of the amounts attributable to contributions earned before 1968, plus interest (also known as the Retirement Account Benefit). This form of payment will be eliminated under the Rehabilitation Plan.⁴

VI. EMPLOYER CONTRIBUTION INCREASES

A. Employer Contribution Increases Required under the Rehabilitation Plan

The Rehabilitation Plan requires contributing employers to increase the amount of contributions made to the Plan. As described in Section VII below, if the bargaining parties do not agree to the increased contributions in this Rehabilitation Plan by June 1, 2010, the employer will be subject to a surcharge required by law that is greater than the contribution increases.

The required increase in the employer contributions is as follows:

1. Effective for contributions earned on or after June 1, 2010 but before April 1, 2011, the contribution rate will be 104% of the contribution rate otherwise in effect under the collective bargaining agreement or expired collective bargaining agreement.⁵
2. Effective for contributions earned on or after April 1, 2011 and thereafter, the contribution rate will be 109% of the contribution rate otherwise in effect under the collective bargaining agreement or expired collective bargaining agreement (excluding the 4% increase, which is not cumulative).
3. To the extent an employer's contributions are calculated as set forth in the arbitration award of Burton Turkus (the "Turkus Award"):
 - a. the 104% and 109% required contribution amount set forth in paragraphs 1. and 2. will be based on 100% of the contributions calculated as set forth in the Turkus Award (or, if greater, 100% of the minimum contribution rate set forth in the employer's collective bargaining agreement) plus an additional 4% or 9% (as applicable) of the minimum contribution rate set forth in the employer's collective bargaining agreement.
 - b. However, if the employer has a complete or partial withdrawal from the Fund, or is otherwise terminated as a contributing employer by the Board, on or before March 31, 2015, the employer must pay, within ten business days of the date on which the Fund sends the employer a written invoice, contributions (retroactive to June 1, 2010) calculated based on 104% or 109% (as applicable) of the contributions calculated as set forth in the Turkus Award (or, if greater, 100% of

⁴ The Plan does not provide for any other lump-sum benefits other than those benefits with an actuarial present value of \$5,000 or less.

⁵ Contributions are considered earned in accordance with the normal Plan procedures for crediting contributions. For live work, it is generally the date of the performance.

the minimum contribution rate set forth in the employer's collective bargaining agreement), less any additional contributions already paid under subparagraph (a) above, plus interest calculated at an annual rate of 8%.

4. In the case of single engagement agreements, the contribution rate otherwise in effect under the collective bargaining agreement shall be deemed to be a rate that is no less than the average of the contribution rates in all of the agreements submitted to the Plan by the employer (or by the bandleader, if the bandleader is the payor) during calendar year 2009, where the employer or bandleader submitted five or more single engagement agreements during calendar year 2009.
5. Effective in the fifth year of any collective bargaining agreement entered into on or after May 1, 2010 that establishes pension contributions for a term of more than four years (including extensions), the contribution rate will increase an additional 25% above the contribution rate otherwise applicable to those contributions (and the portion of the increase above 9% will not generate benefit accruals).

The increased contributions are generally treated the same as all other employer contributions, so they will be payable on the same schedule as the contributions on which the increase is based and will generate benefit accruals for participants (except as noted in paragraph 5. above).

B. Effective Date of Contribution Increases

Unless otherwise specifically provided herein, the contribution increases required by the Rehabilitation Plan will become effective upon the *earlier of*:

1. the effective date of a collective bargaining agreement (or an amendment to that collective bargaining agreement) that adopts a contribution schedule that contains terms consistent with the Rehabilitation Plan contribution schedule, or
2. 180 days after the expiration date of a collective bargaining agreement providing for contributions to the Plan that was in effect on April 1, 2010, *if* by such date the bargaining parties have failed to adopt a contribution schedule that contains terms consistent with the contribution schedule set forth in this Rehabilitation Plan.

If the collective bargaining agreement had an expiration date before April 1, 2010 and no successor agreement was yet in effect on that date, the contribution schedule must be adopted by September 28, 2010 (180 days from April 1, 2010).

C. No Decrease Permitted in Employer Contributions Otherwise Required

The Board previously announced that the contribution rates in any collective bargaining agreement may not be decreased.⁶ Accordingly, the contribution rate in a collective bargaining agreement may not be decreased to avoid application of the contribution rate increase under the Rehabilitation Plan.

VII. EMPLOYER SURCHARGES

The PPA requires that mandatory "surcharges" be imposed on every contributing employer beginning 30 days after the date on which the PPA-required notice of critical status is provided to the employer – in this case, it begins June 1, 2010 – and continuing until the employer's collective bargaining agreement(s) (or other agreement(s) pursuant to which it is contributing) is amended to incorporate a contribution schedule that contains terms consistent with the Rehabilitation Plan.

⁶ Specifically, an employer and a collective bargaining agreement is not acceptable to the Board in the event that: (i) in the case of a collective bargaining agreement the terms of which were in effect (by agreement or operation of law) on October 15, 2009, the effective contribution rate applicable to any period of that collective bargaining agreement is reduced (by agreement or otherwise on or after October 16, 2009); or (ii) in the case of any future extension of or successor to any collective bargaining agreement the terms of which were in effect (by agreement or operation of law) on October 15, 2009, the effective contribution rate is reduced to a rate that is lower than the effective contribution rate in effect on the last day of the expiring collective bargaining agreement (based on the terms of the collective bargaining agreement as they existed on October 15, 2009).

The amount of the surcharge is as follows:

1. Effective for contributions earned on or after June 1, 2010 and before April 1, 2011, the surcharge is 5% of the employer's contributions to the Plan; and
2. Effective for contributions earned on or after April 1, 2011, the surcharge is 10% of the employer's contributions to the Plan. The 10% surcharge remains in effect for each plan year in which the Plan remains in critical status.

The surcharge is due and payable on the same schedule as the contributions on which the surcharges are based. Surcharges are over and above the required employer contributions and, consistent with law, will not generate any benefit accruals for participants.

Where the bargaining parties fail to adopt the contribution schedule in the Rehabilitation Plan by June 1, 2010, the employer remains subject to all surcharges imposed under the PPA until such time as the bargaining parties adopt provisions (or, if later, such time as those provisions take effect) in the employer's collective bargaining agreement that contain terms consistent with the Rehabilitation Plan schedule. No retroactive amendments are permitted. If there is an unreasonable delay in providing the Fund Office with an executed agreement that contains terms consistent with the Rehabilitation Plan schedule, the adoption date will be treated as the date of receipt by the Fund Office and the surcharge will be imposed through that date.

The law provides that employers on whom the Rehabilitation Plan contribution schedule is imposed (e.g., because the bargaining parties have not adopted the Rehabilitation Plan contribution schedule within 180 days after expiration of the collective bargaining agreement) will remain subject to the surcharges imposed under the PPA until such time as the collective bargaining parties adopt provisions in their collective bargaining agreements that contain terms consistent with the Rehabilitation Plan schedule. Thus, under the law, such employers would be subject to **both** the Rehabilitation Plan contribution schedule and the surcharge.

VIII. REHABILITATION PLAN OBJECTIVES

This Rehabilitation Plan consists of reasonable measures adopted by the Board which, based on reasonable actuarial assumptions, can be expected to enable the Plan to emerge from critical status.

In the absence of the benefit changes or the increases in employer contribution rates described in this Rehabilitation Plan, the Plan would not have been projected to emerge from critical status at any point during the 40-year projection period used by Milliman (although the Plan nonetheless was projected to remain solvent during this period). Under the Rehabilitation Plan adopted by the Board, the Plan is estimated to emerge from critical status no later than March 31, 2047 and also is not projected to become insolvent at any point during the projection period. These calculations were based on the Plan's actuarial assumptions, including achieving the 7.5% annual investment return assumption and, as required by law, do not take into account the possibility of investment returns achieved by the Plan in excess of that amount (which could reduce the period of time that the Plan remains in critical status).

IX. ALTERNATIVES CONSIDERED BY THE BOARD

The Board devoted a considerable amount of time and attention to considering the advantages and disadvantages of the alternatives that would enable the Plan to emerge from critical status by the end of the 10-year rehabilitation period. Some of the alternatives that were considered by the Board would have required **at least** 58% increases in employer contribution rates to emerge from critical status by the end of the 10-year rehabilitation period (even without corresponding increases in benefit accruals and with the benefit reductions described in Section V above).⁷

After considering each of these alternatives, the Board concluded that each would be unreasonable and would involve considerable risk to the long-term health (and even viability) of the Plan. In reaching this conclusion, the Board took into account various considerations, including the following:

⁷ Specifically, the Board considered that a 58% contribution rate increase (or 91%, if the increase generated a benefit accrual) would have been required if the same benefit changes described in Section V, above, were adopted. In addition, the Board considered that the contribution rate increase would need to be 76.75% (120.5% if benefit accrual generating) if the benefit changes were not adopted.

1. The near-impossibility of emerging from critical status at the end of the 10-year rehabilitation period in view of the significant investment losses suffered by the Plan over the two plan years ended on March 31, 2009. The collapse of the financial markets in 2008 resulted in the Plan's experiencing the worst investment losses in its 50-year history over these two plan years. As compared to the asset level that was projected by Milliman over this period based on the Plan's assumed investment return of 7.5%, the Plan's assets declined by 40% or nearly \$900 million. As a result of this decline in value, the Plan's funded percentage (using the fair market value of assets), which was 108.5% as of April 1, 2007, declined to 62.6% as of April 1, 2009 and then increased to 72.8% as of April 1, 2010.
2. The impact of the severe economic decline in 2008 and 2009 on the music industry. Overall, employer contributions to the Plan during 2009 declined by 7% from the previous year. Many of the contributing employers to the Plan are small organizations that do not have the financial resources to withstand the economic downturn. Of course, they are not alone. Larger contributors are also undergoing considerable economic stress as a result of the severe recession. As simply one example of the unprecedented problems afflicting the live music industry, many symphony orchestras, which together make up more than 40 percent of annual Plan contributions, are in significant financial distress.⁸ The recorded music industry is in substantial economic distress as well. Sales of recorded music have been declining substantially for the past decade and all of the major record companies that contribute to the Plan have experienced large-scale layoffs; this downward trend is expected to continue by all accounts for the foreseeable future. The theatrical motion picture and television industries have also experienced significant restructuring and layoffs as a result of the economic downturn. On Broadway, producers have been under increased pressure to keep capitalization costs down, resulting in fewer musicals with smaller orchestras.
3. Even if certain contributing employers could financially withstand the enormous contribution increases under the alternative schedules described above, the Board believes that neither the participants nor contributing employers would find continuing value in participating at those rates in a retirement plan that has reduced accrual rates and eliminated adjustable benefits to the maximum extent permitted under the law.⁹
4. In addition, the magnitude of the employer contribution increases required by the alternative schedules would likely have resulted in lower negotiated wages for participants and/or decreased employer contributions to other benefit plans covering these participants (such as the plan providing their health benefit coverage). If participants perceive a significant decrease in value in their total overall compensation – including wages, pension benefits and health benefits – the Board concluded that they would be likely to encourage their employers to withdraw from the Plan. Thus, the Board concluded that a further reduction in benefits would be inconsistent with the goal of presenting a viable plan with ongoing value to active participants. Such action could also lead to increased employer withdrawals or reductions in contributions, as the collective bargaining parties would see less benefit to ongoing participation.
5. The Plan is maintained pursuant to thousands of collective bargaining agreements negotiated by the American Federation of Musicians of the United States and Canada (the "AFM") or one of the AFM's 145 local unions. The AFM does not have the ability to require its local unions to make ongoing participation in the Plan a core principle in contract negotiations.
6. The Board also considered other methods of calculating the Plan's liabilities. The implementation of one such method, known as the "shortfall method" of amortizing the liabilities of the Plan, could have the effect of causing the Plan not to be in critical status for the plan year beginning April 1, 2010. However, the Board concluded that entering critical status was inevitable and implementing this actuarial technique would only require even more severe benefit and contribution modifications in the future to protect the Plan's long-term viability.

⁸ All orchestras are non-profit organizations and most depend on donations and endowment income for the majority of their income. These particular revenue sources have declined significantly as a result of the recent economic crisis. Many orchestras have been driven close to bankruptcy and some have gone out of business altogether. Most, including some of the nation's oldest and most prominent symphony orchestras, are negotiating wage freezes and wage reductions.

⁹ As merely one example, the Board concluded that it was unlikely that contributing employers will pay the required contribution increases to maintain the current plan of benefits under one of the alternative schedules considered by the Board. As employers' contribution payments are increased to levels that exceed their annual withdrawal liability payment amounts, the Board is concerned that employers would respond by completely and/or partially withdrawing from the Plan.

7. The Board also considered eliminating early retirement benefits entirely (such that participants would not be permitted to receive retirement benefits prior to age 65, even on an actuarially equivalent basis) and eliminating pre-retirement death benefits for non-spousal beneficiaries. However, the Board chose not to do so due to (i) the Plan actuary's conclusion that the actuarial impact of eliminating these benefits would be *de minimis* and (ii) the administrative costs associated with these changes.

X. DELINQUENT EMPLOYER CONTRIBUTIONS/WITHDRAWAL FROM THE PLAN

A contributing employer's failure to contribute to the Plan timely at the rates required by the Rehabilitation Plan schedule (once agreed to or imposed) will result in the deficient amounts being treated as delinquent employer contributions under the Plan. In addition, the contributing employer will be subject to excise taxes (equal to 100% of the unpaid contributions) as provided under the PPA. Additionally, this may result in a determination by the Board that the employer has failed to maintain (and thus has withdrawn from) the Plan, in which case such employer will then be subject to withdrawal liability under the terms of the Plan and Title IV of ERISA. Further, under the PPA, any failure to make a surcharge payment will also be treated as a delinquent contribution.

XI. NOTICE GIVEN BEFORE BENEFIT REDUCTIONS BECOME EFFECTIVE

Pursuant to Section 432(e)(8)(C) of the Code, this notice is being given at least 30 days before the general effective date of the reduction in adjustable benefits under the Plan.

XII. NON-COLLECTIVELY BARGAINED PARTICIPANTS

In the case of an employer that contributes to the Plan on behalf of both collectively bargained *and* non-collectively bargained participants, the contributions for, and the benefits provided to, the non-collectively bargained employees, including surcharges on those contributions, shall be determined as if those non-collectively bargained participants were covered under such employer's first-to-expire collective bargaining agreement that was in effect on April 1, 2010.

In the case of an employer that contributes to the Plan on behalf of non-collectively bargained employees *only*, the rules contained in this Rehabilitation Plan shall be applied as if the employer were the bargaining party, and its participation agreement (or other operative agreement) were a collective bargaining agreement with a term ending on the first day of the plan year beginning after the employer is provided with the Rehabilitation Plan (i.e., generally April 1, 2011).

XIII. APPLICATION OF REHABILITATION PLAN TO FUTURE AGREEMENTS

The rules contained herein shall be applied upon the expiration of (or earlier amendment to or renegotiation of) the first collective bargaining agreement that conforms to the Rehabilitation Plan (the "Initial Compliant Collective Bargaining Agreement") and each subsequent compliant collective bargaining agreement (a "Subsequent Compliant Collective Bargaining Agreement"). Furthermore, it will be applied as if the Initial Compliant Collective Bargaining Agreement or Subsequent Compliant Collective Bargaining Agreement, as the case may be, were "in effect" at the time the Plan entered critical status; provided that, the contribution surcharges imposed under the PPA and this Rehabilitation Plan shall apply prospectively only and shall be based upon the contribution rate in the expired Initial Compliant Collective Bargaining Agreement or Subsequent Compliant Collective Bargaining Agreement, as the case may be.

XIV. REHABILITATION PLAN STANDARDS

The PPA requires that a plan set forth annual standards for meeting the requirements of its rehabilitation plan. However, the PPA does not currently define the standards applicable to a rehabilitation plan, such as this Rehabilitation Plan, that is not designed to emerge from critical status at the end of the 10-year rehabilitation period.

Until such time as these standards are more clearly defined pursuant to the PPA, the annual standard for satisfying the requirements of this Rehabilitation Plan will be a determination that, based on the updated actuarial projections each year using reasonable actuarial assumptions, the Rehabilitation Plan (as updated and amended from time to time), will enable the Plan to emerge from critical status or forestall possible insolvency.

XV. ANNUAL REVIEW AND UPDATE OF REHABILITATION PLAN

In consultation with the Plan's actuary, the Board will review the Rehabilitation Plan annually and amend it, as appropriate, to meet the objective of enabling the Plan to emerge from critical status. This will include an update of the contribution rates contained in its schedules to reflect the experience of the Plan. The annual review will include a thorough review of the Plan's funding status, including projections by the actuary of whether and when the Plan is expected to emerge from critical status or become insolvent. The Board will consider whether further benefit modifications or contribution rate increases are necessary to meet the stated objectives of the Rehabilitation Plan and ensure the long-term health of the Plan.

The Rehabilitation Plan may be amended for any benefit changes that may be required for the Plan to continue to satisfy all necessary legal requirements, to maintain its tax-qualified status under the Code, and to comply with other applicable law. Collective bargaining agreements that are entered into, renewed or extended after the date of any changes to the Rehabilitation Plan will be subject to the Rehabilitation Plan then in effect at the time of such entry, renewal or extension. Notwithstanding the foregoing, under current law the schedules of contribution rates provided by the Board, and agreed to by the bargaining parties in negotiating a collective bargaining agreement, will remain in effect for the duration of that collective bargaining agreement.

XVI. CONSTRUCTION AND MODIFICATIONS TO THIS REHABILITATION PLAN

This Rehabilitation Plan is intended to present only a summary of the law, the Plan and the upcoming changes to the Plan. It is not intended to serve as an exhaustive, complete description of the law, the Plan or the modifications discussed herein.¹⁰

The Board reserves the right, in its sole and absolute discretion, to construe, interpret and/or apply the terms and provisions of this Rehabilitation Plan in a manner that is consistent with the PPA and other applicable law. Any and all constructions, interpretations and/or applications of the Plan (and other Plan documents) or the Rehabilitation Plan by the Board, in its sole and absolute discretion, shall be final and binding on all parties affected thereby. Subject to the PPA and other applicable law, and notwithstanding anything herein to the contrary, the Board further reserves the right to make any modifications to this Rehabilitation Plan that they, in their sole and absolute discretion, determine are necessary and/or appropriate (including, without limitation in the event of any omission or the issuance of any future legislative, regulatory or judicial guidance).

¹⁰ The terms of the official plan documents will govern in the event of any contradiction between this notice and the Plan documents as adopted to incorporate the changes to the Plan described herein.