Dairy Industry - Union

PENSION PLAN

For Philadelphia and Vicinity

Notice of Critical Status
Dairy Industry - Union Pension Plan

April 29, 2011

This is to inform you that on March 31, 2011, the actuary for the Pension Fund (the "Fund") certified to the U.S. Department of the Treasury and to the Fund's Board of Trustees that the Fund is in critical status for the plan year beginning January 1, 2011. Federal law requires that you receive this notice.

Introduction

The Pension Protection Act (the "Act"), signed into law in 2006, is intended to improve the financial condition of pension funds. The Act introduced several formal safeguards and controls and added notification requirements for trustees to share more information about a fund's financial circumstances with participants, contributing employers and others directly related to the pension plan.

Many of the Act's provisions relate to funding, which, in simplest terms, is how much a pension plan has coming in, going out, and what is in reserve (or "in the bank") for the future. The safeguards are intended to create more discipline to prevent future funding problems and correct those that have already developed.

The Act requires us to test the Fund annually to classify its funding status. Standardized measurements are established for classifying pension plans based on their funding issues. Funds that are in "seriously endangered" or "endangered" status (also referred to as yellow zone) or "critical" status (red zone) must notify all fund participants, beneficiaries, unions, and contributing employers of the fund's status, as well as take corrective action to restore the fund's financial health.

Fund's Status - Red Zone

The Fund is considered to be in critical status (red zone) because it has funding or liquidity problems, or both. More specifically, the Fund is in the red zone as of January 1, 2011 because the Fund's actuary determined that the Fund is projected to have an accumulated funding deficiency as of the last day of the 2011 plan year.

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in critical status, until the employer agrees to a collective bargaining agreement that implements one of the schedules in the rehabilitation plan.

For the remainder of the first plan year, the 5% surcharge will be due with respect to any contribution paid to the Fund on or after June 1, 2011 and will continue until December 31, 2011. For subsequent plan years, i.e., beginning January 1, 2012, the 10% surcharge will apply to contribution paid to the Fund for work performed on and after that date.

What's Next

We understand that legally required notices like this one can create concern about the Fund's future. Be assured that the Board of Trustees takes very seriously its obligation to preserve the financial viability of the Fund. With the assistance of the Fund's actuary, counsel and other professionals, and working with the contributing employers and the Union, the Trustees will develop a Rehabilitation Plan that addresses these issues. You should know that we expect that both contribution increases and benefit reductions will be necessary to improve the Fund's serious financial condition.

As a final note, since the Fund is influenced by economic and financial variables beyond our control (such as market volatility and changes in employment and/or the number of contributing employers), unexpected developments can affect the Fund's status and any future corrective actions needed. Each year the Trustees will be reviewing the Fund's progress with its professional advisors, which may lead to future changes in the recommended contribution and benefit schedules.

For more information about this notice or the Fund, contact the Fund Office at the address or phone number listed at the top of this letter.

Sincerely,

Board of Trustees