WWEC LOCAL 863 PENSION PLAN

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Notice of Endangered/Critical Status

WWEC Local 863 Pension Plan

To: All Participants, Beneficiaries, Contributing Employers and Local Union 863 I.B. of T.

As you may know, the Pension Protection Act of 2006 ("PPA") has added new requirements for measuring the financial health of multiemployer plans such as ours.

Starting with the 2008 plan year, the PPA requires that a pension plan's actuary determine the plan's status under these new rules and annually certify that status to the IRS and the trustees (who are the plan sponsor). If the actuary determines that the plan is in "endangered" status (yellow zone) or "critical" status (red zone) for the year, the trustees must notify all plan participants, employers, and other stakeholders and take corrective action to restore the financial health of the plan.

Red Zone Status for 2008

On May 29, 2009, the actuary for the WWEC Local 863 Pension Plan (the "Plan") amended its certification to provide that the Plan is in "critical" status for the 2008 plan year. This determination was made because, based on PPA's new funding measures, the Plan was projected to have an accumulated funding deficiency for the 2008 plan year. What this means is that the level of negotiated contributions was not expected to be high enough to meet government standards for funding already promised benefits and plus benefits that participants are currently earning.

However, Wakefern Food Corporation entered into a "participation agreement" with the Plan that provides for the additional contributions necessary to enable the Plan to meet the statutory funding requirements. This agreement is expected to enable the Plan to exit critical status within the statutory timeframe. Although the law requires us to use the term "critical" for the 2008 plan year, in fact, the Plan is expected to meet its funding goals in the future.

Yellow Zone Status for 2009

On November 25, 2009, the actuary certified that the Plan has exited the red zone and is now in the yellow zone for the 2009 plan year. This determination was made because, based on the PPA's new funding measures, the Plan is currently less than 80% funded. As noted above, however, due to the Wakefern Food Corporation participation agreement, the Plan is expected to meet its funding goals in the future.

Rehabilitation Plan for Red Zone Plans and Reduction in Adjustable Benefits

PPA requires that a plan in the red zone adopt a "Rehabilitation Plan" designed to improve its funded position so that, over time, the plan will be able to meet the statutory funding requirements. The Plan's Rehabilitation Plan, which was adopted on May 27, 2009, consists of two "schedules" of contribution and benefit levels. In some cases, a Rehabilitation Plan may eliminate or reduce "adjustable benefits," including (i) plan benefits, rights, and features, including pre-retirement death benefits (other than qualified joint and survivor annuities), optional forms including the lump sum and 10-year certain guarantee, lump sum cash vested benefits, and similar benefits; and (ii) early retirement benefits or retirement-type subsidies.

However, each of the contributing employers to the Plan has entered into an agreement that conforms to the "Preferred Schedule." This Preferred Schedule sets the contribution rates at the levels specified in the current collective bargaining agreements, supplemented by the "participation agreements" signed by the contributing employers, and maintains the current plan of benefits. Notably, the current plan of benefits provides for the payment of retirement benefits only in monthly annuity forms. The current plan of benefits does not provide for the payment of retirement or vested benefits in a lump sum form. Lump sums are one of the categories of adjustable benefits that, as a general matter, may be eliminated by red zone plans. The trustees have reaffirmed that no lump sum benefits are available under the Plan.

The trustees are not contemplating any additional changes to the Plan at this time. You will be notified before any further benefit reductions are put into effect.

Importantly, the level of benefits you have already earned that are payable at normal retirement age as a single life or qualified joint and survivor annuity cannot and will not be reduced under the PPA rules. Any reductions pursuant to the Rehabilitation Plan will apply only to participants and beneficiaries whose benefit commencement date is after the date of this notice.

Funding Improvement Plan for Yellow Zone Plans

The PPA requires every multiemployer plan in endangered status to adopt a "Funding Improvement Plan" (FIP). The FIP is an action plan designed to increase the Plan's funding percentage and to assure that contributions will be enough to meet the minimum required under the law. The actuary has informed us that based on anticipated experience and reasonable assumptions, future contribution levels, including those required in the participation agreements, will be sufficient to meet the requirements of a FIP, and the Plan is expected to emerge from endangered status within the statutory timeframe. The formal FIP for the 2009 Plan year will be adopted in the coming months.

Benefit Restrictions for Red Zone Plans

The Plan is not permitted to pay lump sum benefits or any other payment in excess of the monthly amount paid under a single life annuity (except for the payout of benefits which are less than $5000) while the Plan is in critical status. This includes the payment of the lump sum benefit and cash vested benefit in a lump sum form, but the current plan of benefits does not provide for the payment of retirement or vested benefits in lump sum form. The restrictions do not apply to plans in endangered status, but as noted, the current plan of benefits does not provide for the payment of retirement or vested benefits in a lump sum form.

Employer Surcharge for Red Zone Plans

The PPA imposes obligations upon the contributing employers of a red zone plan, even before a Rehabilitation Plan is adopted. Thus the law requires that all contributing employers pay to the Plan a surcharge to help correct the Plan's financial situation beginning 30 days after the employer is notified that the plan is in critical status.

The surcharge is a percentage of the employer's negotiated contribution rate. A 5% surcharge is applicable the first plan year in critical status. The surcharge goes up to 10% for each succeeding plan year in which the Plan is in critical status, until the employer agrees to a collective bargaining agreement that implements one of the schedules in the Rehabilitation Plan. These surcharges are separate requirements and are in addition to the obligation of the contributing employers to pay their regular contributions and their share of accumulated funding deficiencies.

Because all of the contributing employers have entered into agreements that conform to the Rehabilitation Plan's Preferred Schedule, no surcharges are applicable. Furthermore, no surcharges are required for plans in endangered status.

What's Next

The PPA mandates that the Plan's funding status be reviewed and certified annually and notices like this one will be sent to you each year. In addition, the FIP will be reviewed and updated each year. Please note, however, since the Plan 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 Plan's status and any future corrective actions needed.

We understand that legally required notices like this one can create concern about the Plan's future. Be assured that we take our obligation to preserve the financial viability of the Plan very seriously. The Trustees have developed a plan that addresses these issues to improve the Plan's financial condition and help to secure your pensions.

For more information about this notice or the Plan, you may contact the Plan's office at the address or phone number listed at the top of this letter.

Sincerely,

The Board of Trustees
Date: December 2009

As required by law, this notice is being provided to the Pension Benefit Guaranty Corporation (PBGC) and the Department of Labor.