Notice of Critical Status
Painters and Allied Trades Paint Makers Pension Plan

13191 Crossroads Parkway N, Suite 205, City of Industry CA 91746-3434

April 2011

This is to inform you that on March 30, 2011 the plan actuary certified to the Internal Revenue Service, and to your Plan's Board of Trustees, that the Painters and Allied Trades Paint Makers Pension Plan ("Plan") is in critical status for the plan year beginning January 1, 2011. Federal law requires that you receive this notice.

Critical Status

The Plan is considered to be in critical status because it has funding or liquidity problems, or both. More specifically, the Plan's actuary determined that:

1. Over the next three Plan Years, the Plan is projected to have an accumulated funding deficiency for the Plan Year beginning January 1, 2012 and the next eleven Plan Years.
2. The sum of the Plan's normal cost and interest on the unfunded benefits for the current Plan Year exceeds the present value of all expected contributions for the year; the present value of vested benefits of inactive participants is greater than the present value of vested benefits of active participants; and over the next four Plan Years, the Plan is projected to have an accumulated funding deficiency for the Plan Year beginning January 1, 2012 and the next eleven Plan Years.
3. The Plan was in critical status last year and over the next 9 years, the Plan is projected to have an accumulated funding deficiency for the Plan Year beginning January 1, 2012 and the next eleven Plan Years.

Rehabilitation Plan

Federal law requires pension plans in critical status to adopt a Rehabilitation Plan aimed at restoring the financial health of the plan. This is the fourth year the Plan has been in critical status.

The law permits pension plans to reduce, or even eliminate, benefits called "adjustable benefits" as part of a Rehabilitation Plan. On January 14, 2009, you were notified that the Plan reduced or eliminated adjustable benefits. On April 22, 2008, you were notified that as of April 25, 2008 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) while it is in critical status. If the trustees of the Plan determine that further benefit reductions are necessary, you will receive a separate notice in the future identifying and explaining the effect of those reductions. Any reduction of adjustable benefits will not reduce the level of a participant's basic benefit payable at normal retirement. In addition, reductions in adjustable benefits may only apply to participants and beneficiaries whose benefit commencement date is on or after April 22, 2008.

The trustees of the Plan are required to review and update the Rehabilitation Plan annually, on the basis of the Plan's experience. During the 2010 Plan Year, the Plan's Trustees reviewed the Plan's progress made under the Plan's Rehabilitation Plan. The Trustees determined that, based on projections performed for the purpose of determining whether the plan would emerge from Critical Status, the Plan will not emerge from Critical Status by the end of the Rehabilitation Period under reasonable actuarial assumptions, with the exhaustion of all reasonable measures, pursuant to IRC §432(e)(3)(A)(ii). The Rehabilitation Plan was updated to reflect this.

Adjustable Benefits

The Plan offers the following adjustable benefits that may be reduced or eliminated as part of any Rehabilitation Plan the Pension Plan may adopt:

- Early retirement benefit or retirement-type subsidy; and
- Benefit payment options other than a qualified joint-and survivor annuity (QJSA).

Employer Surcharge

The law requires that all contributing employers pay to the Plan a surcharge to help correct the Plan's financial situation. The amount of the surcharge is equal to a percentage of the amount an employer is otherwise required to contribute to the Plan under the applicable collective bargaining agreement. With some exceptions, a 5% surcharge is applicable in the initial critical year and a 10% surcharge is applicable for each succeeding Plan Year thereafter in which the Plan is in critical status.

Because the trustees have adopted a Rehabilitation Plan, however, an employer will *not* be subject to the 5% or 10% surcharge once the employer, through collective bargaining, agrees to make contributions to the Plan at a rate that equals or exceeds the contribution rate necessary for the Plan to carry out its Rehabilitation Plan.

Where to Get More Information

For more information about this Notice, you may contact: Michael Free at Benefit Programs Administration at (562) 463-5070, 13191 Crossroads Parkway North, Suite 205, City of Industry, CA 91746-3434. You have a right to receive a copy of the Rehabilitation Plan from the Pension Plan.