Financial statement reporting and disclosure practices for employee benefit plans; AICPA practice aid series

Linda Delahanty

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Financial Statement Reporting and Disclosure Practices for Employee Benefit Plans
**NOTICE TO READERS**

*Financial Statement Reporting and Disclosure Practices for Employee Benefit Plans* is intended to provide preparers and auditors of financial statements of employee benefit plans with a compilation of illustrative financial statement disclosures based on current examples provided by the Employee Benefit Plans Committee. This document has been prepared by the AICPA staff and the AICPA Employee Benefit Plans Committee. It has not been approved, disapproved, or otherwise acted on by a senior technical committee of the AICPA. Therefore, the contents of this publication have no official or authoritative status.
Financial Statement Reporting and Disclosure Practices for Employee Benefit Plans

Edited by
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Technical Manager
Accounting and Auditing Publications

AICPA Practice Aid Series


**Preface**

The publications that constitute the AICPA Practice Aid Series have been designed to address a broad range of topics that affect today's CPA. From enhancing the efficiency of your practice to developing the new skill sets required for a successful transition to meet the challenges of the new millennium, this series provides practical guidance and information to assist in making sense out of a changing and complex business environment. The talents of many skilled professionals have been brought together to produce what we believe will be valuable additions to your professional library.

This publication provides illustrative disclosures for financial statements of employee benefit plans. It has been issued by the Accounting and Auditing Publications group of the American Institute of Certified Public Accountants and is intended to provide practitioners with nonauthoritative practical guidance on such disclosures.

The contents of this publication, its focus, and the way it has been presented have been shaped by the Employee Benefit Plans Committee recognizing the need for disclosure guidance in the area of employee benefit plans.

The examples contained herein have been taken from: (a) actual examples of audited pension plans whose names, locations and numbers have been changed to protect confidentiality, (b) examples developed by the Employee Benefit Plans Committee, and (c) the AICPA Audit and Accounting Guide, *Audits of Employee Benefit Plans* (the Guide). The company names are the product of the staff's imagination. Any resemblance or similarities to real companies is entirely coincidental and beyond the intent of the staff or the committee.

Please note that all years have been changed to reflect the current year as 19X2 (with 19X1 as the prior year and 19X3 the succeeding year).

This publication is organized to be used as a reference tool based on disclosures for specific types of pension plans as follows:

- Chapter 1 contains illustrative disclosures specific for defined benefit pension plans.
- Chapter 2 contains illustrative disclosures specific for defined contribution pension plans.
- Chapter 3 contains illustrative disclosures specific for health and welfare benefit plans.
- Chapter 4 contains illustrative disclosures general to all types of plans, such as subsequent events, related parties, and tax status.
- Chapter 5 contains illustrative disclosures and auditor reports for limited-scope audits.
- Chapter 6 contains illustrative auditors reports for all types of pension plans.
- Chapter 7 contains illustrative Form 5500 supplemental schedules.

This publication is not a substitute for the authoritative pronouncements. Users of this publication are urged to refer directly to applicable authoritative pronouncements when appropriate.
These disclosures are intended as guidance only and should be tailored to the specific circumstances of each engagement. Although many of the disclosures contained herein are for single employer plans, many of the disclosures also pertain to multi-employer plans and should be modified appropriately. For further guidance on financial statement disclosures, see the Guide and the AICPA’s financial statement disclosure checklists: Checklists and Illustrative Financial Statements for Defined Contribution Pension Plans, Checklists and Illustrative Financial Statements for Defined Benefit Pension Plans, and Checklists and Illustrative Financial Statements for Health and Welfare Benefit Plans.

The AICPA staff wishes to thank the Employee Benefit Plans Committee and the Office of the Chief Accountant of the U.S. Department of Labor Pension and Welfare Benefits Administration for contributing to this publication.
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CHAPTER 1: Disclosures Specific to Defined Benefit Pension Plans

1. DESCRIPTION OF PLAN

Note X: Description of the Plan

The following brief description of the Retirement Income Plan for Certain Salaried Employees (the “Plan”) is provided for general information purposes only. Participants should refer to the Plan document for more complete information.

a. General—The Plan is a defined benefit pension plan covering certain salaried employees at divisions, plants, offices or locations designated by Red Corporation. Red Corporation’s Employee Benefit Plan Committee, its Central Retirement Committee and the Plan Administrator control and manage the operation and administration of the Plan. ABC Bank serves as the trustee of the Plan and, together with several investment managers, manages a portion of the Plan’s investment assets. The Plan’s other investment assets consist of unallocated insurance contracts with National Insurance Company (“National”), and United Insurance Company (“United”). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”).

b. Pension Benefits—Participants generally become fully vested after five years of vesting service, as defined by the Plan. There is no partial vesting of benefits. The Plan provides for normal retirement benefits upon reaching age 65 and has provisions for early retirement benefits. The Plan also provides for benefits upon meeting certain other preconditions. Upon retirement, the amount of benefits under the Plan is the highest amount determined based upon three different computations: 1) the Career Earnings Formula, 2) the Alternate Benefit Formula or 3) the Minimum Benefit Formula, as provided by the Plan. Under each benefit computation, the annual benefit is a percentage of earnings or average annual earnings multiplied or adjusted by years of credited service. Benefits are payable in the form of a joint and survivor annuity, a single life annuity or other optional forms.

Note X: Plan Description

The following brief description of the C&H Company Pension Plan (Plan) is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information.
1. **General.** The Plan is a defined benefit pension plan covering substantially all employees of C&H Company (Company). It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

2. **Pension Benefits.** Employees with 5 or more years of service are entitled to annual pension benefits beginning at normal retirement age (65) equal to 1½% of their final 5-year average annual compensation for each year of service. The Plan permits early retirement at ages 55-64. Employees may elect to receive their pension benefits in the form of a joint and survivor annuity. If employees terminate before rendering 5 years of service, they forfeit the right to receive the portion of their accumulated plan benefits attributable to the Company’s contributions. Employees may elect to receive the value of their accumulated plan benefits as a lump-sum distribution upon retirement or termination, or they may elect to receive their benefits as a life annuity payable monthly from retirement. For each employee electing a life annuity, payments will not be less than the greater of (a) the employee’s accumulated contributions plus interest or (b) an annuity for five years.

3. **Death and Disability Benefits.** If an active employee dies at age 55 or older, a death benefit equal to the value of the employee’s accumulated pension benefits is paid to the employee’s beneficiary. Active employees who become totally disabled receive annual disability benefits that are equal to the normal retirement benefits they have accumulated as of the time they become disabled. Disability benefits are paid until normal retirement age at which time disabled participants begin receiving normal retirement benefits computed as though they had been employed to normal retirement age with their annual compensation remaining the same as at the time they became disabled.

Note X: **Description of Plan**

The XYZ Company Pension Plan (the “Plan”) is a multiple employer plan maintained by XYZ Company and GHI Company (the “Sponsors”) as a defined benefit pension plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”).

Employees eligible to participate in the Plan are those employees of XYZ Company and GHI Company who are at least 21 years old.

The Pension Committee of XYZ Company is the Plan Administrator. Additional information concerning the Plan and its provisions can be found in the summary plan description. A copy of that document can be obtained from the Plan Administrator through XYZ Company, 1 New York Plaza, New York, NY 10021.
[For a supplemental defined-benefit pension plan that integrates with a “basic” defined-benefit pension plan.]

Note X: Description of the Plan

The following brief description of the Supplemental Retirement Plan for Non-Represented Employees of Jaba Corporation (the “Plan”) is provided for general information purposes only. Participants should refer to the Plan document for more complete information.

a. General—The Plan is a defined benefit pension plan intended to supplement the amount of the retirement benefits payable under Jaba Corporation’s (the “Company”) basic retirement plan, the Retirement Plan for Employees of Jaba Corporation (“Retirement Plan”), to employees who are not represented by a collective bargaining agreement. The Plan is administered by the company and provides for the establishment of a trust. Effective January 1, 19X0, a Master Trust arrangement was established for the Plan and the Retirement Plan. Use of the Master Trust permits the commingling of the Plan assets and the Retirement Plan assets for investment and administrative purposes. Although assets are commingled in the Master Trust, ABC Bank maintains supporting records for the purpose of allocating the net gain of the investment accounts to both plans.

The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”).

b. Vesting and Pension Benefits—The Plan covers all full-time employees of Jaba Corporation, except those covered under a collective bargaining agreement. Employees become fully vested in benefits after 5 years of credited service as defined by the Plan. The Plan provides for regular retirement benefits upon reaching age 65 and has provisions for disability, early retirement, survivor and other benefits, each of which reduces the regular benefit by an amount stated in the Plan or determined by the Plan’s actuary. Annual benefits at retirement are based on compensation and years of continuous service, reduced by the amount of the pension payable under the company’s basic retirement plan.

..............................

2. Summary of Significant Accounting Policies

Note X (In Part): Summary of Significant Accounting Policies

c. Accumulated Plan Benefits—Accumulated plan benefits are those future benefit payments attributable under the Plan’s provisions to service that employees have rendered. The actuarial present value of accumulated plan benefits has been determined by an independent actuary, and is that
amount which results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal or retirement) between the benefit information date and the expected payment dates. The effect of Plan amendments on accumulated plan benefits is recognized during the year in which such amendments become effective.

The significant actuarial assumptions used in determining accumulated plan benefits as of December 31, 19X2 are as follows:

<table>
<thead>
<tr>
<th>Assumption</th>
<th>Methodology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Return</td>
<td>8.0%, compounded annually</td>
</tr>
<tr>
<td>Mortality</td>
<td>The UP-1984 Mortality Table, Modified for actual experience</td>
</tr>
<tr>
<td>Retirement</td>
<td>Average retirement age—61.</td>
</tr>
</tbody>
</table>

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. If the Plan were to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

Note X: Summary of Significant Accounting Policies

The following are the significant accounting policies followed by the Plan:

1. **Basis of Accounting.** The accompanying financial statements are prepared on the accrual basis of accounting.

2. **Use of Estimates.** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, disclosure of contingent assets and liabilities, and the actuarial present value of accumulated plan benefits at the date of the financial statements. Actual results could differ from those estimates.

3. **Investment Valuation and Income Recognition.** If available, quoted market prices are used to value investments.

The amounts shown in Note E for securities that have no quoted market price represent estimated fair value. Many factors are considered in arriving at that fair market value. In general, however, corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Investments in certain restricted common stocks are valued at the quoted market price of the issuer’s unrestricted common stock less an appropriate discount. If a quoted market price for unrestricted common stock of the issuer is not available, restricted common stocks are valued at a multiple of current earnings less an appropriate discount. The multiple chosen is consistent with multiples of similar companies based on current market prices. Mortgages have been valued on the basis of their future
Chapter 1: Disclosures Specific to Defined Benefit Pension Plans

principal and interest payments discounted at prevailing interest rates for similar investments. The fair value of real estate investments, principally rental property subject to long-term leases has been estimated on the basis of future rental receipts and estimated residual values discounted at interest rates commensurate with the risks involved. The fair value of the Plan's interest in the C&H Master Trust (Master Trust) is based on the beginning of year value of the Plan's interest in the trust plus actual contributions and allocated investment income less actual distributions and allocated administrative expenses (Note F). Quoted market prices are used to value investments in the Master Trust. The Plan's investment contract with the National Insurance Company (National) (Note G) is valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations. Funds under the investment contract that have been allocated and applied to purchase annuities (that is, National is obligated to pay the related pension benefits) are excluded from the Plan's assets. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

4. Actuarial Present Value of Accumulated Plan Benefits. Accumulated plan benefits are those future periodic payments, including lump-sum distributions, that are attributable under the Plan's provisions to the service employees have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. Benefits under the Plan are based on employees' compensation during their last five years of credited service. The accumulated plan benefits for active employees are based on their average compensation during the five years ending on the date as of which the benefit information is presented (the valuation date). Benefits payable under all circumstances—retirement, death, disability, and termination of employment are included, to the extent they are deemed attributable to employee service rendered to the valuation date. Benefits to be provided via annuity contracts excluded from Plan assets are excluded from accumulated Plan benefits.

The actuarial present value of accumulated plan benefits is determined by an actuary from the AAA Company and is that amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment. The significant actuarial assumptions used in the valuations as of December 31, 19X2 and 19X1 were (a) life expectancy of participants (the 1991 Group Annuity Mortality Table was used), (b) retirement age assumptions (the assumed average retirement age was 60), and (c) investment return. The 19X2 and 19X1 valuations included assumed average rates of return of 7% and 6.25%, respectively, including a reduction of .2% to reflect anticipated administrative expenses associated with
providing benefits. The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

5. **Payment of Benefits.** Benefit payments to participants are recorded upon distribution.

**Note X (In Part): Summary of Significant Accounting Policies**

(d) **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of Plan assets and the actuarial present value of accumulated plan benefits at the date of the financial statements. Actual results could differ from those estimates.

**Note X (In Part): Summary of Significant Accounting Policies**

*Net Appreciation (Depreciation) in Fair Value of Investments*

Net realized and unrealized appreciation (depreciation) is recorded in the accompanying financial statements as net appreciation (depreciation) in fair value of investments.

### 3. INVESTMENTS

**Note X: Investments**

During 19X2 and 19X1, the Plan’s investments appreciated (depreciated) in fair value by $4,206,708 and $(449,844), respectively, as follows:

<table>
<thead>
<tr>
<th></th>
<th>19X2</th>
<th>19X1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collective investment trusts</td>
<td>$0</td>
<td>$(434,832)</td>
</tr>
<tr>
<td>Equity securities</td>
<td>3,880,090</td>
<td>152,126</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>326,618</td>
<td>(167,588)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$4,206,708</strong></td>
<td><strong>$(449,844)</strong></td>
</tr>
</tbody>
</table>

**Note X: Investments**

The fair market values of individual assets that represent 5% or more of the Plan’s net assets as of December 14, 19X2 and 19X1 are as follows:
Chapter 1: Disclosures Specific to Defined Benefit Pension Plans

19X2

ABC Bank money market, variable rate—4.87% as of December 14, 19X2 $2,438,340
National Life Insurance Company, group annuity contract No. 6455739, variable rate—5.5% as of December 14, 19X2 242,718
National Life Insurance Company, group annuity contract No. 6455744, variable rate—5.5% as of December 14, 19X2 933,536

19X1

Cash surrender value of Prosperity Life Insurance Policy $ 946,908
National Life Insurance Company, group annuity contract No. 6455739, variable rate—5.25% as of December 14, 19X1 230,388
National Life Insurance Company, group annuity contract No. 6455744, variable rate—5.25% as of December 14, 19X1 886,510

[The following disclosure is from a multiple employer plan.]

Note X: Investments

The Plan’s investment in a Commingled Trust Liquid Reserve Fund, which had a cost and fair value of $4,887,386, was the only investment held by the Plan that exceeded 5% of the Plan’s net assets at March 31, 19X2.

The Plan’s investment in the 9.25% United States Treasury notes due May 15, 19X5, which had a cost of $4,641,446 and a fair value of $4,537,974, was the only investments held by the Plan that exceeded 5% of the Plan’s net assets at March 31, 19X2.

During the years ended March 31, 19X2 and 19X1, the Plan had net appreciation (depreciation) (including gains and losses on investments bought and sold, as well as held during the year) in the fair value of investments as follows:

<table>
<thead>
<tr>
<th></th>
<th>19X2</th>
<th>19X1</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States Government and agency securities</td>
<td>$358,124</td>
<td>$(48,452)</td>
</tr>
<tr>
<td>Municipal bonds</td>
<td>7,158</td>
<td>16,758</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>29,600</td>
<td>(56,760)</td>
</tr>
<tr>
<td>Convertible bonds</td>
<td>94,872</td>
<td>61,682</td>
</tr>
<tr>
<td>Foreign bonds</td>
<td>(240,488)</td>
<td>(136,126)</td>
</tr>
<tr>
<td>Asset-backed securities</td>
<td>(21,158)</td>
<td>3,984</td>
</tr>
<tr>
<td>Mortgage-backed securities</td>
<td>131,482</td>
<td>62,970</td>
</tr>
<tr>
<td>Common stocks</td>
<td>11,489,778</td>
<td>4,452,674</td>
</tr>
<tr>
<td>Preferred stocks</td>
<td>38,652</td>
<td>50,478</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>119,590</td>
<td>0</td>
</tr>
<tr>
<td>Totals</td>
<td>$12,007,610</td>
<td>$4,407,208</td>
</tr>
</tbody>
</table>

7
4. CONTRACTS WITH INSURANCE COMPANIES

Note X (In Part): Summary of Significant Accounting Policies

b. Investments—Plan assets are invested in an annuity guaranteed deposit contract, an international stock separate account, a fixed-income separate account, an intermediate-term income account, a Prosperity Investments Capital Growth Account, a Fiduciary International Equity Account, an Industrial Income Account and a short-term separate account with National Insurance Company. Investments, excluding the guaranteed deposit contracts, are valued at fair value as measured by the quoted market price on the last day of the plan year. Guaranteed deposit contract assets are maintained in the general investment fund, which is stated at contract value, which represents cost, plus interest income, less distributions for benefits and administrative expenses to date.

In August 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 110, Reporting by Defined Benefit Pension Plans of Investment Contracts, which is effective for plan years beginning after December 15, 1992. The new statement requires a defined benefit pension plan to report an investment contract issued by either an insurance enterprise or other entity at fair value. As the Plan’s annuity guaranteed deposit contract was entered into prior to March 20, 1992, such contract is permitted to be carried at contract value.

5. INTEREST IN MASTER TRUSTS

Note X: Interest in C&H Master Trust

A portion of the Plan’s investments are in the Master Trust which was established for the investment of assets of the Plan and several other C&H Company sponsored retirement plans. Each participating retirement plan has an undivided interest in the Master Trust. The assets of the Master Trust are held by GLC Trust Company (Trustee). At December 31, 19X2 and 19X1, the Plan’s interest in the net assets of the Master Trust was approximately 9% and 11%, respectively. Investment income and administrative expenses relating to the Master Trust are allocated to the individual plans based upon average monthly balances invested by each plan.

The following table presents the fair values of investments for the Master Trust.

<table>
<thead>
<tr>
<th>Investments at fair value:</th>
<th>19X2</th>
<th>19X1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stocks</td>
<td>$11,900,000</td>
<td>$ 8,800,000</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>11,800,000</td>
<td>6,700,000</td>
</tr>
<tr>
<td>U.S. government securities</td>
<td>867,000</td>
<td>750,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$24,567,000</strong></td>
<td><strong>$16,250,000</strong></td>
</tr>
</tbody>
</table>
Chapter 1: Disclosures Specific to Defined Benefit Pension Plans

Investment income for the Master Trust is as follows:

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>19X2</th>
<th>19X1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Income:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net appreciation in fair value of investments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stocks</td>
<td>$300,000</td>
<td>$200,000</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>200,000</td>
<td>200,000</td>
</tr>
<tr>
<td>U.S. government securities</td>
<td>300,000</td>
<td>200,000</td>
</tr>
<tr>
<td></td>
<td>800,000</td>
<td>600,000</td>
</tr>
<tr>
<td>Interest</td>
<td>400,000</td>
<td>300,000</td>
</tr>
<tr>
<td>Dividends</td>
<td>230,000</td>
<td>300,000</td>
</tr>
<tr>
<td></td>
<td><strong>$1,430,000</strong></td>
<td><strong>$1,200,000</strong></td>
</tr>
</tbody>
</table>

Note X: Investment in Combined Trust Fund

The plan's investment assets are held in a trust account at ABC Bank and consist of an interest in an investment account of the Combined Trust Fund, a master trust established by XYZ Company and administered by ABC Bank. Use of the Combined Trust Fund permits the commingling of the trust assets of a number of pension plans of XYZ Company and its subsidiaries for investment and administrative purposes. Although assets are commingled in the Combined Trust Fund, ABC Bank maintains supporting records for the purpose of allocating the net gain of the investment accounts to the various participating trusts.

The investment accounts of the Combined Trust Fund are valued at estimated fair value at the end of each month. The net gain of the accounts for each month is allocated by the trustee to each participating trust based on the relationship of the interest of each trust to the total of the interests of all participating trusts.

The Combined Trust Fund is composed of three investment accounts: the Balanced Investment Account, which invests principally in equity and fixed-income securities and temporary investments; the Fixed-Income Investment Account, which invests in fixed-income securities; and the Guaranteed Investment Account, which invests in insurance contracts. The Plan has no interest in the Fixed-Income, or Guaranteed Investment Account.

The investment accounts of the Combined Trust Fund at December 31, 19X2 and 19X1 are summarized as follows (in millions):

<table>
<thead>
<tr>
<th></th>
<th>19X2</th>
<th>19X1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balanced Investment Account</td>
<td>$15,798.2</td>
<td>$15,062.2</td>
</tr>
<tr>
<td>Fixed-Income Investment Account</td>
<td>45.4</td>
<td>54.8</td>
</tr>
<tr>
<td>Guaranteed Investment Account</td>
<td>11.4</td>
<td>17.0</td>
</tr>
<tr>
<td>Net Assets</td>
<td><strong>$15,855.0</strong></td>
<td><strong>$15,134.0</strong></td>
</tr>
</tbody>
</table>
The Combined Trust Fund's investments are valued at estimated fair value. If available, quoted market prices are used to value investments. In instances wherein quoted market prices are not available, the fair value of investments is estimated primarily by independent investment brokerage firms and insurance companies.

The net assets of the Combined Trust Fund at December 31, 19X2 and 19X1 are summarized as follows (in millions):

<table>
<thead>
<tr>
<th></th>
<th>19X2</th>
<th>19X1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity Investments</td>
<td>$10,206.8</td>
<td>$ 8,368.8</td>
</tr>
<tr>
<td>Fixed-Income Investments</td>
<td>4,604.0</td>
<td>5,239.0</td>
</tr>
<tr>
<td>Temporary Investments</td>
<td>1,025.6</td>
<td>1,454.0</td>
</tr>
<tr>
<td>Other Assets—net</td>
<td>18.6</td>
<td>72.2</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td><strong>$15,855.0</strong></td>
<td><strong>$15,134.0</strong></td>
</tr>
</tbody>
</table>

The net investment income of the Combined Trust Fund for the years ended December 31, 19X2 and 19X1 is summarized as follows (in millions):

<table>
<thead>
<tr>
<th></th>
<th>19X2</th>
<th>19X1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest</td>
<td>$ 354.8</td>
<td>$ 439.6</td>
</tr>
<tr>
<td>Dividends</td>
<td>201.0</td>
<td>181.2</td>
</tr>
<tr>
<td>Net appreciation in fair value of investments</td>
<td>1,069.4</td>
<td>430.8</td>
</tr>
<tr>
<td><strong>Net investment income</strong></td>
<td><strong>$ 1,625.2</strong></td>
<td><strong>$ 1,051.6</strong></td>
</tr>
</tbody>
</table>

The Plan's interest in the total Combined Trust Fund as a percentage of net assets of the Combined Trust Fund was approximately 8.5% and 9.3% at December 31, 19X2 and 19X1, respectively.

6. PLAN AMENDMENTS

**Note X: Subsequent Event**

The plan was amended on April 1, 19X2 to increase the retirement benefit unit by $1 for all retirees, and terminated and active participants, effective for all retirements after May 31, 19X2. Using the assumptions used to measure the accumulated plan benefits at December 31, 19X1, the amendment will increase the actuarial present value of accumulated plan benefits by $5,236,000 of which $2,262,000 relates to vested benefits of plan participants currently receiving benefits, $365,000 relates to vested benefits of other plan participants, and $2,609,000 related to nonvested benefits.
Note X: Changes in the Plan

The Plan was not amended during 19X2.

Effective January 15, 19X1, the Plan was amended to provide full credited service for all layoff time accumulated through February 1, 19X1 for all employees on the Plan's seniority list.

During 19X1, the Plan was amended to increase the benefit unit per year of credited service for all retirements after February 1, 19X1, as follows:

<table>
<thead>
<tr>
<th>Effective Date</th>
<th>Benefit Unit Increased</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>From</td>
</tr>
<tr>
<td>February 1, 19X1</td>
<td>$24.00</td>
</tr>
<tr>
<td>January 1, 19X2</td>
<td>25.00</td>
</tr>
<tr>
<td>January 1, 19X3</td>
<td>26.00</td>
</tr>
</tbody>
</table>

For participants who retire after February 1, 19X1, with 25 or more years of credited service, the Plan was amended to increase the monthly early retirement supplement benefit prior to age 62 from $450 to $550 per month.

For participants who retire after January 1, 19X0 with 30 or more years of credited service, the Plan was amended to increase the total monthly early retirement benefit payable prior to age 62 to the following amounts:

<table>
<thead>
<tr>
<th>Effective Date</th>
<th>Total Monthly Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 1, 19X1</td>
<td>$1,400</td>
</tr>
<tr>
<td>January 1, 19X2</td>
<td>1,500</td>
</tr>
<tr>
<td>January 1, 19X3</td>
<td>1,600</td>
</tr>
</tbody>
</table>

The Plan's actuary estimates that amendments becoming effective subsequent to December 31, 19X1 will increase accumulated plan benefits by approximately $655,850.

Note X: Changes in the Plan

Effective January 1, 19X2, a subsidiary part of the Plan, formerly known as the Retirement Income Plan for Certain Salaried Employees, was amended to include employees of the Toledo, Ohio Plant and to count vesting service for service before January 1, 19X2 and credited service beginning on that date.

Effective January 1, 19X2, a subsidiary part of the Plan, formerly known as the Retirement Plan for Represented Hourly-Rated Employees of the Altoona, Pennsylvania Plant, was amended to increase the benefit unit per year of credited service for employees who elect to waive participation in the Altoona Savings Plan and to establish a lump-sum retirement bonus in the year of retirement for participants retiring on or after January 1, 19X2, as follows:
Effective as of October 1, 19X1, a subsidiary part of the Plan, formerly known as the Hourly-Rated Employees Pension Plan-Union, was amended, for employment at the Hoboken and Hempstead plants, to increase the monthly benefit unit per year of credited service and the 30 and out provision for those employees retiring after October 1, 19X2 from $25 to $30 and from $1,550 and $1,950, respectively. In addition, the Plan was amended to include, for certain employees, credited service under the Plan for those periods previously not credit because of layoff from the active payroll.

The same subsidiary part of the Plan was also amended for retirements occurring on or after October 1, 19X2, to establish interim monthly supplement amounts for early retirements by participants with less than 30 years of credited service and temporary benefits payable until the earlier of age 61 and one month or payment of Social Security Disability Benefits. The monthly benefit per year of credited service used to calculate temporary benefits is $34, limited to a maximum of 30 years or a maximum monthly amount of $1,000.

Effective August 31, 19X1, the Plan was amended to approve the merger of 32 retirement plans of Starfish Company, Inc. and its affiliates into the Plan (see Note X.b.).

Effective August 1, 19X1, the name of the Plan was changed from the “Retirement Plan for Eligible Employees on the Salary and Weekly Payrolls of the Acme Section A Operations, Acme Section B Operations and Acme Section C Operations” to the “Acme Retirement Plan for Eligible Employees.”

Effective January 1, 19X1, the Plan was amended to include as vesting service periods of service with companies which are members of the Vortex Operations Contract and to permit payment of internal administrative and investment management expenses directly to the ongoing operations of the plan.

Effective January 1, 19X1, the Plan was amended to allow retirees from the Retirement Income Plan for Certain Salaried Employees, now a subsidiary part of the Plan, to participate in and accrue benefits as members of the Acme flexible work force.

Effective as of October 1, 19X0, the Plan was amended to provide for payment of certain Plan fees and expenses incurred after September 30, 19X0 including

---

<table>
<thead>
<tr>
<th>Effective Date</th>
<th>Benefit Unit</th>
<th>Retirement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>From</td>
<td>To</td>
</tr>
<tr>
<td>January 1, 19X2</td>
<td>$15.00</td>
<td>$15.50</td>
</tr>
<tr>
<td>January 1, 19X3</td>
<td>15.50</td>
<td>16.00</td>
</tr>
<tr>
<td>January 1, 19X4</td>
<td>16.00</td>
<td>16.25</td>
</tr>
<tr>
<td>January 1, 19X5</td>
<td>16.25</td>
<td>16.50</td>
</tr>
</tbody>
</table>
fees and expenses connected with the providing of administrative services by external service providers, from the Plan assets (see Note X.b.).

Effective January 1, 19X0, the Plan was amended (in order to comply with the provisions of the Unemployment Compensation Amendments of 1992) to provide, upon receipt of a written request, participants and/or their spouses who are eligible to receive a lump sum distribution under the provisions of the Plan with the option to have such distributions directly transferred from the Plan trust account to the custodian of an eligible retirement plan.

Effective January 1, 19X0, the Plan’s 50-point early retirement provision will not be applicable for current participants for service rendered after December 31, 200X and will not be applicable for those hired after December 31, 19X0. In addition, early retirement benefits earned on service rendered after December 31, 200X by current participants, will be reduced for retirement prior to age 61 rather than the current age 60. This reduction for retirement prior to age 61 will apply to early retirement benefits for those hired after December 31, 19X0.

The Plan’s actuary estimates that amendments becoming effective subsequent to December 31, 19X0 will not significantly affect accumulated plan benefits.

........................

**Note X: Plan Amendment**

Effective July 1, 19X2, the Plan was amended to increase future annual pension benefits from 1 1/4% to 1 1/2% of final 5-year average annual compensation for each year of service, including service rendered before the effective date. The retroactive effect of the Plan amendment, an increase in the actuarial present value of accumulated plan benefits of $2,410,000, was accounted for in the year ended December 31, 19X2. [The actuarial present value of accumulated plan benefits at December 31, 19X0 do not reflect the effect of that Plan amendment. The Plan’s actuary estimates that the amendment’s retroactive effect on the actuarial present value of accumulated plan benefits at December 31, 19X0 was an increase of approximately $1,750,000, of which approximately $1,300,000 represents an increase in vested benefits.]

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**7. PLAN MERGERS AND ACQUISITIONS**

**Note X: Plan Merger (mid year)**

On June 15, 19X1, the ABC Co. was acquired by the plan sponsor and its pension plan was merged with the XYZ pension plan. At the date of the merger, the ABC plan’s accumulated plan benefits and net assets available for benefits were as follows:
Actuarial present value of vested benefits
  Participants currently receiving benefits $ 3,040,000
  Other participants 8,120,000
$11,160,000
Actuarial present value of nonvested benefits 2,720,000
Actuarial present value of accumulated plan benefits $13,880,000
Net assets available for benefits (cash) 18,012,000
Excess of assets not available for benefits over actuarial present value of accumulated plan benefits $ 4,132,000

Note X: Plan Merger (year-end)
On December 31, 19X1, the ABC subsidiary pension plan was merged into this plan. On the date of the merger, the ABC plan’s accumulated plan benefits and net assets available for benefits were as follows:

[Present full statement of accumulated plan benefits and net assets available for plan benefits for ABC at December 31, 19X1.]

Note X (In Part): Description of Plan
b. Plan Merger—Effective August 31, 19X1, the Plan merged with the following 32 qualified U.S. defined benefit pension plans:
   • Retirement Income Plan for Certain Salaried Employees
   • Salaried Employees’ Retirement Plan—Acme A Operations
   • Pension Plan for Salaried Employees of Acme Corporation
   • Pension Plan for Represented Hourly Employees of Acme Corporation
   • Pension Plan for Hourly Employees of Acme Corporation
   • Acme D Operations Contract Retirement Plan for Eligible Employees of Acme Corporation
   • Beta Company Off-Site Retirement Plan
   • Beta International Service Company Retirement Plan for Operations and Maintenance Employees
   • Retirement Plan for Hourly Employees of Beta Company and Acme E Operations, Waco Facility
   • Rock Springs, Wyoming Hourly and Technical and Office Retirement Plan
   • Big Sur, California Clerical and Technical Employees’ Retirement Plan
   • Gamma Division Retirement Plan for Salaried Employees
Chapter 1: Disclosures Specific to Defined Benefit Pension Plans

- Retirement Plan for Hourly-Rated Employees of the Kansas City, Missouri Plant
- Retirement Plan for Hourly-Rated Employees of the Sioux City, Iowa Plant
- Retirement Plan for Eligible Employees on the Hourly Payroll (Acme A Operations, Acme B Operations, and Acme C Operations)
- Retirement Income Plan for Certain Salaried Employees of the General Industries Operations
- Gamma Radio Retirement Plan for Production Employees
- Hourly-Rated Employees Pension Plan
- Group Steelworkers Pension Agreement
- Delta Employee’s Retirement Plan
- Retirement Plan for Hourly-Rated Employees of the Bloomington, Indiana, and Lexington, Kentucky Plants
- Retirement Plan for Hourly-Rated Employees of the Gary, Indiana Plant
- Retirement Plan for Hourly-Rated Employees of the Akron, Ohio Plant
- Retirement Plan for Hourly-Rated Employees of the Spartanburg, South Carolina Plant
- Retirement Plan for Hourly-Rated Employees of Electronics Operations, Flint, Michigan Plant
- Delta Retirement Plan for Employees Represented by Collective Bargaining Agent
- Delta Retirement Plan for Executive, Administrative and Clerical Employees
- Delta Retirement Plan for Hourly Employees
- Blue Company, Inc. Employees’ Pension Plan
- Retirement Plan for Certain Hourly-Rated Machinist Erectors
- Retirement Plan Hourly-Rated Employees of the Dover, Delaware Plant
- Retirement Plan for Represented Hourly-Rated Employees of the Yardley, Pennsylvania Plant

The 32 Acme Company pension plans listed above had aggregate plan net assets of $7.2 billion at August 31, 19X1, and an aggregate present value of accumulated plan benefits, at December 31, 19X0 of $6.6 billion (computed in accordance with Financial Accounting Standards Board Statement No. 35—see Footnote 2c). This merger does not impact participant pension benefits as the benefit provisions of the merged plans are incorporated into the Plan.

Note X (In Part): Description of Plan

c. Plan Merger—Effective August 31, 19X1, Acme Company merged 33 of its qualified U.S. defined benefit pension plans (including the Plan) into one
pension plan, the Acme Retirement Plan for Eligible Employees. This merger will not impact participant pension benefits as the benefit provisions of these plans will be incorporated into the merged pension plan. Acme management believes that the Plan merger was a tax-exempt transaction under the applicable provisions of the Internal Revenue Code and, therefore, is not subject to federal income taxes.

Note X: Subsequent Events—Merger of Pension Plan

On July 6, 19X2 the Swordfish Company’s Board of Directors approved the merger, effective August 31, 19X2, of Swordfish Company’s 35 qualified U.S. defined benefit pension plans (including the plan) into one pension plan, the Swordfish Company Retirement Plan for Eligible Employees. This merger will not impact participant pension benefits as the benefit provisions of these plans will be incorporated into the merged pension plan. Swordfish Company management expects the merged pension plan to have net assets in excess of actuarially determined accrued liabilities and to be qualified under the Internal Revenue Code.

Note X (In Part): Description of Plan

c. Plan Merger—Effective December 31, 19X2, the Plan was merged with the Group Employees’ Retirement Plan—Operations. The net assets of the Plan were transferred to the Group Employees’ Retirement Plan—Operations on December 31, 19X2. Accordingly, all benefits earned under the Plan and contributions due to the Plan prior to December 31, 19X2 will be payable or receivable in accordance with the Plan out of or into the Group Employees Retirement Plan—Operations. The management of the Company believes that the Plan merger was a tax-exempt transaction under the applicable provisions of the Internal Revenue Code and, therefore, is not subject to federal income taxes.

Note X: Subsequent Events

Following the close of business on January 31, 19X3, ABC Corporation (the Company), the holding company for the Association, acquired DEF Company, (DEF) with DEF ultimately merging with and into the Association.

Pursuant to the acquisition agreement, the Company and the Association agreed to amend the Plan so as to provide, at their option, either (i) credit, for benefit accrual purposes, for each employee of DEF who will remain in the employ of the Association following the acquisition, to the extent that such service would have been recognized for similar purposes under DEF’s defined benefit plan (the DEF Plan), as in effect immediately prior to the acquisition,
and to provide an offset to the accrued benefits provided under the DEF Plan through the date of the acquisition or (ii) benefits for each employee of DEF who will remain in the employ of the Association following the acquisition which will equal the sum of the accrued benefits provided under the DEF Plan through the date of the acquisition and such employee’s accrued benefits under the benefit formula set forth in the Plan for the period after the acquisition.

Following the acquisition, the DEF Plan was merged into the Plan and the Plan was amended to provide credit, for benefit accrual purposes, for each participant of DEF who remained in the employ of the Association following the acquisition, to the extent that such service would have been recognized for similar purposes under the DEF Plan as in effect immediately prior to the acquisition. Former DEF Plan participants are eligible to receive a benefit using the Plan’s benefit formula based on total service with the Association and DEF, not less than their accrued benefit under the DEF Plan through the date of the acquisition. As a result of a merger of the plans on April 30, 19X3, 642 additional participants became enrolled in the Plan and additional assets of $16,038,572 were acquired by the Plan from the DEF Plan. In addition, the actuarial present value of accumulated plan benefits for former DEF Plan participants as of April 30, 19X3 was $11,671,200.

Note X (In Part): Plan Description

The following brief description of the Brown Company Automobile Plant Pension Plan for Hourly Employees (the “Plan”) is provided for general information purposes only. Participants should refer to the plan document for more complete information.

a. General—The Plan is a noncontributory, defined benefit plan which provides for pension and disability benefits covering substantially all of the hourly employees at the Automobile Plant of Brown Company (the “Company”). A subsidiary of Brown, Inc. (“Brown”). In January 19X2, Blue Company completed its acquisition of Brown and controls and manages the operation and administration of the Plan. As of June 1, 19X2, the Plan changed its trustee from XYZ Bank to ABC Bank. ABC Bank serves as the trustee of the Plan and, together with several investment managers, manages the Plan’s investment assets. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”).

8. PLAN TERMINATIONS

Note X: Plan Termination

The plan sponsor froze the accrued benefits as of February 28, 19X1 and terminated the plan as of March 31, 19X1. Therefore, the accrued benefits of
each participant became nonforfeitable to the extent then funded and the net assets of the plan will be allocated, as prescribed by the terms and provisions of the plan in accordance with ERISA and its related regulations, generally, to provide the following benefits in the order indicated subject to any required approval of the Internal Revenue Service and the Pension Benefit Guaranty Corporation (PBGC):

First: Benefits attributable to employee contributions, if any, taking into account those paid out before termination.

Second: Annuity benefits former employees or their beneficiaries have been receiving for at least three years, or that employees eligible to retire for that three-year period would have been receiving if they had retired with benefits in the normal form of annuity under the Plan. The priority amount is limited to the lowest benefit that was payable (or would have been payable) during those three years. The amount is further limited to the lowest benefit that would be payable under plan provisions in effect at any time during the five years preceding plan termination.

Third: Other vested benefits insured by the PBGC (a U.S. governmental agency) up to the applicable limitations (discussed below).

Fourth: All other vested benefits (that is, vested benefits not insured by the PBGC).

Fifth: All nonvested benefits.

Certain benefits under the plan are insured by the PBGC if the plan terminates. Generally, the PBGC guarantees most vested normal age retirement benefits, early retirement benefits and certain disability and survivors pensions. However, the PBGC does not guarantee all types of benefits under the plan, and the amount of benefit protection is subject to certain limitations. Vested benefits under the plan are guaranteed at the level in effect on the date of the plan’s termination. However, there is a statutory ceiling on the amount of an individual’s monthly benefit that the PBGC guarantees. For plan terminations occurring during 19X2 and 19X1, that ceiling which is adjusted periodically was $2,438 and $2,352 per month, respectively. That ceiling applies to those pensioners who elect to receive their benefits in the form of a single life annuity and are at least 65 years old at the time of retirement or plan termination (whichever comes later). For younger annuitants or for those who elect to receive their benefits in some form more valuable than a single life annuity, the corresponding ceilings are actuarially adjusted downward.

Benefit improvements, if any, attributable to plan amendments may not be fully guaranteed even though total benefit entitlements fall below the aforementioned ceilings. The PBGC guarantees 20% of any benefit improvements that result in benefits below the ceiling each year following the effective date of the amendment. If the amount of the benefit increase below the ceiling is also less than $100, $20 of the increase (rather than 20%) becomes guaranteed by the PBGC each year following the effective date of the
amendment. As a result, only the primary ceiling would be applicable after the fifth year following the effective date of the amendment.

Note X: Plan Termination

On April 25, 19X2, the Board of Trustees expressed their intent to terminate the Plan. Benefits will continue to accrue through June 1, 19X2 and all participants will be considered to be fully vested as of January 1, 19X2. Employees will receive a lump-sum payment from the Plan once Beta Company receives IRS approval to terminate the Plan, and such employees may elect to have his/her lump-sum payment rolled over into an Individual Retirement Account (IRA) account. If an employee retires during 19X2, he or she may elect to have his/her lump-sum payment rolled over into an IRA account. A new defined contribution plan will be made available to Beta Company employees in 19X2.

Note X: Plan Termination

Benefits were accrued through June 1, 19X2, and were considered to be fully vested for all participants and no additional service was earned after June 1, 19X2. During May and June 19X2, the Plan purchased annuity contracts from National Life Insurance Company amounting to $485,242 to provide benefits to current retirees of the Plan. On August 1, 19X2, the Plan was terminated. The remaining Plan participants received a lump-sum payment from the Plan and the final distributions were made from the Plan on December 22, 19X2. Plan assets amounting to approximately $79,300 were reverted to ABC Company. On December 4, 19X2, ABC Company received Internal Revenue Service (“IRS”) approval to terminate the Plan. A new defined contribution plan was made available to ABC Company employees effective July 1, 19X2.

Note X: Plan Termination

In the event the Plan is terminated, the net assets of the Plan will be allocated for payment of Plan benefits to the participants in order of priority determined in accordance with ERISA, applicable regulations thereunder and the Plan document.

Certain benefits under the Plan are insured by the Pension Benefit Guaranty Corporation (“PBGC”) if the Plan terminates. Generally, the PBGC guarantees most vested normal age retirement benefits, early retirement benefits and certain disability and survivor’s pensions. However, the PBGC does not guarantee all types of benefits under the Plan, and the amount of benefit protection is subject to certain limitations. Vested benefits under the Plan are
guaranteed at the level in effect on the date of the Plan’s termination, subject to a statutory ceiling on the amount of an individual’s monthly benefit.

Whether all participants receive their benefits, should the Plan be terminated at some future time, will depend on the sufficiency, at that time, of the Plan’s net assets to provide those benefits, the priority of those benefits to be paid and the level and type of benefits guaranteed by the PBGC at that time. Some benefits may be fully or partially provided for by the then existing assets and the PBGC guaranty while other benefits may not be provided for at all.

Note X: Plan Termination

In the event the Plan terminates, the net assets of the Plan will be allocated, as prescribed by ERISA and its related regulations, generally, to provide the following benefits in the order indicated:

a. Benefits attributable to employee contributions, taking into account those paid out before termination.

b. Annuity benefits that former employees or their beneficiaries have been receiving for at least three years, or that employees eligible to retire for that three-year period would have been receiving if they had retired with benefits in the normal form of annuity under the Plan. The priority amount is limited to the lowest benefit that was payable (or would have been payable) during those three years. The amount is further limited to the lowest benefit that would be payable under Plan provisions in effect at any time during the five years preceding Plan termination.

c. Other vested benefits insured by the Pension Benefit Guaranty Corporation (PBGC) (a U.S. government agency) up to the applicable limitations (discussed below).

d. All other vested benefits (that is, vested benefits not insured by the PBGC).

e. All nonvested benefits.

Benefits to be provided via contracts under which National (Note G) is obligated to pay the benefits would be excluded for allocation purposes.

Certain benefits under the Plan are insured by the PBGC if the Plan terminates. Generally, the PBGC guarantees most vested normal age retirement benefits, early retirement benefits, and certain disability and survivor’s pensions. However, the PBGC does not guarantee all types of benefits under the Plan, and the amount of benefit protection is subject to certain limitations. Vested benefits under the Plan are guaranteed at the level in effect on the date of the Plan’s termination. However, there is a statutory ceiling, which is adjusted periodically, on the amount of an individual’s monthly benefit that the PBGC guarantees. For Plan terminations occurring
during 19X3 that ceiling is $X,XXX per month. That ceiling applies to those pensioners who elect to receive their benefits in the form of a single-life annuity and are at least 65 years old at the time of retirement or plan termination (whichever comes later). For younger annuitants or for those who elect to receive their benefits in some form more valuable than a single-life annuity, the corresponding ceilings are actuarially adjusted downward. Benefit improvements attributable to the Plan amendment effective July 1, 19X2, (Note H) may not be fully guaranteed even though total benefit entitlements fall below the aforementioned ceilings. For example, none of the improvements would be guaranteed if the Plan were to terminate before July 1, 19X3. After that date, the PBGC would guarantee 20% of any benefit improvements that resulted in benefits below the ceiling, with an additional 20% guaranteed each year the Plan continued beyond July 1, 19X3. If the amount of the benefit increase below the ceiling is also less than $100, $20 of the increase (rather than 20%) becomes guaranteed by the PBGC each year following the effective date of the amendment. As a result, only the primary ceiling would be applicable after July 1, 19X7.

Whether all participants receive their benefits should the Plan terminate at some future time will depend on the sufficiency, at that time, of the Plan’s net assets to provide for accumulated benefit obligations and may also depend on the financial condition of the Plan sponsor and the level of benefits guaranteed by the PBGC.

Note X: Subsequent Events

The Company has experienced a decrease in plan participants subsequent to year end, which could possibly be deemed a partial termination of the plan. The Company is currently investigating the issue to determine if partial termination has occurred. If the decrease in participants is deemed to be a partial termination, all participants would become 100% vested in their account balances.

Note X: Plan Termination

On November 15, 19X0, the trustees of the Plan elected to terminate the Plan, effective April 1, 19X1. The Company applied for and received approval for the termination from the Internal Revenue Service. All participants became fully vested in their account balances, and had the option of either receiving a distribution (less applicable penalties and taxes), transferring their balance to another qualified fund, or transferring their balance to the Company’s Profit Sharing Plan. All of the Plan’s assets were either distributed or transferred, as elected by each participant, by February 5, 19X2.
Note X (In Part): Description of the Plan

The Plan was terminated on January 31, 19X2. All benefit and service accruals of the Plan were frozen as of December 31, 19X1.

9. OTHER

Note X: Funding Policy

The Company’s funding policy is to make quarterly contributions to the Plan as determined by the Plan’s independent actuary. No employee contributions are permitted. The Company’s contributions for 19X2 and 19X1 comply with the minimum funding requirements of ERISA.

[The following disclosure is for a multiple employer plan.]

Note X: Funding Policy

The Sponsors’ funding policy is to contribute funds to the trust for the Plan as necessary to provide for current service and for any unfunded projected benefit obligation over a reasonable period. To the extent that these requirements are fully covered by assets in the trust, the Sponsors may elect not to make any contribution in a particular year. The Sponsors did not make any contributions in the years ended March 31, 19X2 and 19X1. The Plan met the minimum funding requirements of ERISA as of March 31, 19X2 and 19X1.

Note X: Funding Policy

As a condition of participation, employees are required to contribute 3% of their salary to the Plan. Present employees’ accumulated contributions at December 31, 19X1 and 19X0 were $2,575,000 and $2,325,000, respectively, including interest credit on an interest rate of 5% compounded annually. The Company’s funding policy is to make annual contributions to the Plan in amounts that are estimated to remain a constant percentage of employees’ compensation each year (approximately 5% for 19X1 [and 19X0]), such that, when combined with employees’ contributions, all employees’ benefits will be fully provided for by the time they retire. Beginning in 19X2, the Company’s contribution is expected to increase to approximately 6% to provide for the increase in benefits attributable to the Plan amendment effective July, 19X1 (Note H). The Company’s contributions for 19X1 [and 19X0] exceeded the minimum funding requirements of ERISA.
Although it has not expressed any intention to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions set forth in ERISA.

Note X: Benefits

Generally, pension benefits are computed based on 1% of credited annual earnings not in excess of Social Security covered earnings plus 1.50% of credited annual earnings in excess of Social Security covered earnings, multiplied by years of credited service, subject to the minimum benefit, as defined. Participants become fully vested after five years of service.

If the total present value of a participant’s retirement or deferred vested benefit is $3,000 or less, the Pension Committee, at its discretion, may direct that the benefit be paid in a lump sum.

Note X: Changes in Accumulated Plan Benefits

The following is a summary of the changes in the actuarial present value of accumulated plan benefits for, effectively, the years ended March 31, 19X2 and 19X1:

|                                | 19X2        | 19X1        |
|                                | $50,231,746 | $45,056,224 |
| Actuarial present value of accumulated plan benefits at beginning of year |            |            |
| Increase (decrease) attributable to: |            |            |
| Benefits accumulated           | 3,288,218   | 3,649,266   |
| Increase for interest due to the decrease in the discount period | 3,799,162   | 3,299,508   |
| Benefits paid                  | (2,466,642) | (2,164,658) |
| Change in interest rate assumption | —           | (1,425,916) |
| Effect of plan amendment related to compensation limits used in determining benefits | 3,042       | 1,817,322   |
| Net increase                   | 4,623,780   | 5,175,522   |
| Actuarial present value of accumulated plan benefits at end of year | $54,855,526 | $50,231,746 |
CHAPTER 2: Disclosures Specific to Defined Contribution Pension Plans

1. Description of Plan

Note X: Description of Plan

The following description of the Blue Company, Inc. Cash or Deferred Retirement Plan for Represented Employees (the “Plan”) provides only general information. For a more complete description of the Plan’s provisions, refer to the agreement governing the Plan (the “Plan Agreement”).

General

The Plan was established as a result of a collective bargaining agreement (CBA) between Blue Company, Inc. (“Blue”) and the Group Union (the GU) and replaces the benefits provided by the Group Council Cash or Deferred Plan (“Prior Plan”). The Plan was established on May 15, 19X1, and is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended. The Plan was adopted under the provisions of Section 401(a) of the Internal Revenue Code (the “Code”) with a cash or deferred arrangement qualified under Section 401(k) of the Code. Pursuant to the requirements of Section 401(a)27 of the Code, the Plan is also a profit sharing plan. The Plan is a defined contribution plan that covers all active employees of Blue who are represented by a collective bargaining agreement.

The Plan accepted assets of $8,006,358 from the Prior Plan. The assets accepted were attributable to employees who participated in the Prior Plan and were transferred to the Plan on October 1, 19X1. Participants began contributing to the Plan in September 19X1.

The Plan is administered by Blue and advised by a committee whose members are appointed by the Board of Directors of Blue (the “Administration Committee”). The assets of the Plan are held and invested by ABC Bank (“the Trustee”).

Tax Status of the Plan

Blue has filed for a determination letter from the Internal Revenue Service regarding the Plan’s qualification under Section 401(a) and the related trust’s tax-exempt status under provisions of Section 501(a) of the Code. The Administration Committee believes that the Plan is currently designed and is being operated in compliance with the applicable requirements of the Code. The Administration Committee will make any changes deemed necessary to ensure that the Plan is granted tax-exempt status.
Amendment and Termination of the Plan Agreement

The Plan Agreement may be amended or terminated by Blue at any time unless such amendment violates the CBA. No such termination is contemplated, but if it should occur, the assets of the Plan shall be used to pay or provide for the payment of any and all obligations hereunder in accordance with the provisions of the Plan and the directions of the Administration Committee. No portion of the assets of the Plan, directly or indirectly, shall revert to or accrue to the benefit of Blue. In addition, in the event of the termination or partial termination of the Plan, all participants shall have a fully vested interest in all accrued benefits.

Eligibility

Eligibility in the Plan includes all employees who were participants in the Prior Plan on May 15, 19X1. Any other represented employee of Blue may become a participant immediately after his/her employment date.

Contributions and Blue Matching

Contributions to the Plan include (i) salary reduction contributions authorized by participants, (ii) matching contributions made by Blue, (iii) nonelective contributions made by Blue, and (iv) rollovers from new participants in another qualified plan.

Each participant may authorize Blue to contribute into the Plan on a pre-tax basis up to 15% of their annual salary. The contribution is subject to a maximum of $9,500 for 19X2 and 19X1.

Participants must be employed on the last day of the plan year, complete 1,000 hours of service during the plan year, and be represented by the GU to receive matching contributions. Blue matching contributions are in the form of Blue stock calculated at $.50 for each dollar contributed by the participant, up to a maximum of 5% of the participant’s compensation that is elected to be deferred as a salary reduction contribution. Forfeitures are used to reduce matching contributions.

No nonelective contributions by Blue were made in 19X2 or 19X1.

Vesting

If the participant terminates employment prior to normal or early retirement age (65 or 55) for any reasons other than death or permanent disability, the portion of the matching contribution that is vested is as follows:

<table>
<thead>
<tr>
<th>Years of Service</th>
<th>Vesting Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 5 years</td>
<td>0%</td>
</tr>
<tr>
<td>5 years or more</td>
<td>100%</td>
</tr>
</tbody>
</table>

Participants are fully vested at all times in all other contributions.
Participants' Accounts/Benefits

Individual accounts are maintained for each plan participant to reflect the participant's contributions and related matching contribution. Income and loss is allocated to the participants' accounts based on the ratio of the account balance of the individual participant to the aggregate of all account balances of all participants in the fund within the Plan. Participants withdrawing from the Plan receive their balance by (i) a transfer to another qualified plan, (ii) a transfer to an individual retirement account, or (iii) a lump-sum distribution which is subject to a 20% income tax withholding.

Loans

The Plan Agreement specifies that in the event the Administration Committee decides to permit loans, it may authorize the Trustee to make a loan to any participant, subject to certain limitations stipulated in the Plan Agreement. As of December 31, 19X2 and 19X1, the Administration Committee had not elected to grant loans to participants.

Note X: Description of Plan

The following brief description of the Black Company 401(k) Savings Plan (the "Plan") is provided for general information purposes only. Participants should refer to the Plan document for more complete information.

a. General—The Plan is a defined contribution savings plan established by Black Company and is subject to the provisions of the Employee Retirement Income Security Act of 1974. Participation in the Plan is entirely voluntary. An eligible employee is any person employed by Black Company who is an employee at any of the following Black Company divisions: Charcoal, Grey, Marble, Absolute, or Night and an employee becomes eligible to participate in the Plan on the first day of the quarter immediately following hire. The Plan's Retirement Committee and plan administrator control and manage the operation and administration of the Plan. The Retirement Committee has all powers necessary to carry out the provisions of the Plan and to satisfy the requirements of any applicable law. ABC Bank is custodian and record keeper of the Plan. ABC Bank is custodian of the Plan’s assets, invests all contributions and allocates to each participant account its proportionate share of the funds' investment earnings.

b. Contributions—An eligible employee may become a participant in the Plan by completing an enrollment form whereby the employee agrees to accept a specified reduction in salary/wage for each pay period in consideration of Black Company contributing such amount to the Plan. Participants may elect to contribute between 1% and 15% of their compensation, excluding bonuses and commissions, to the Plan each year. Such contributions are
excluded from the participant’s taxable income for federal income tax purposes until received as a withdrawal or distribution from the Plan. A participant may increase or decrease the amount of the salary/wage reduction on the first day of each Plan quarter.

Each month Black Company will make a matching contribution to each participant’s account equal to 25% of the amount of the participant’s contribution. The maximum contribution amount eligible to be matched is 5% of compensation. The Black Company matching contributions are allocated to participants’ accounts on each monthly valuation date. Total participant contributions in any calendar year are limited to the applicable limit under the Internal Revenue Code Section 402(g). Such limit is $9,500 for calendar years 19X2 and 19X1. The Plan also provides that certain limitations may be imposed on participants’ contributions in order to comply with statutory requirements.

The participant contributions and Black Company matching contributions may be allocated to the following six funds as the participant directs:

- **Long-Term Fund**—a fixed-income fund which invests in a portfolio of commercial mortgages, publicly traded debt and private placements.
- **Short-Term Fund**—a money market fund which invests in treasury securities, U.S. government securities, certificates of deposit, time deposits, repurchase agreements and commercial paper issued by major domestic and foreign corporations.
- **Balanced Fund**—a fund which invests in common stocks of larger U.S. companies, corporate and government bonds and money market instruments.
- **Index Fund**—a fund with investments in common stocks to create a portfolio that reflects the composition of the S&P 500 Index, cash equivalent instruments and S&P 500 Index futures.
- **Growth Fund**—a fund investing primarily in common stocks and securities convertible into common stocks.
- **ABC Bank International Equity Fund**—a mutual fund which invests primarily in a broadly diversified portfolio of equity securities of companies that have their principal business activities and interest outside the U.S.

c. **Investment Elections**—Each participant may direct that salary reduction contributions be invested in one or more of the six funds described above. Allocations must be in increments of 5% of each contribution. A participant may change such allocation at any time directly with ABC Bank and may transfer all or a portion of the value of his or her account, in increments of 5%, among the six funds as often as once each calendar quarter. On each monthly valuation date, the investment earnings will be determined for each fund. A participant’s share of these investment earnings for a month are determined based upon the participant’s percentage of the total fund balance as of the previous monthly valuation date.
d. **Valuation**—All of a participant’s salary reduction contributions are credited to his or her account. The value of each of the separate funds is determined by ABC Bank on each monthly valuation date. ABC Bank then values and increases or decreases each participant’s account to reflect his or her proportionate interest in each of the funds as adjusted for fund activity since the preceding valuation date.

e. **Vesting and Distributions**—Participants’ contributions are fully vested at all times. The matching contributions to each participant’s account are subject to vesting requirements. The matching contributions vest according to the following schedule:

<table>
<thead>
<tr>
<th>Completed Years Of Service</th>
<th>Percentage of Matching Contribution Vested</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 2</td>
<td>0%</td>
</tr>
<tr>
<td>2 or more</td>
<td>100%</td>
</tr>
</tbody>
</table>

Amounts contributed through salary/wage reductions may be withdrawn by, or distributed to, a participant only upon (1) termination of employment or (2) attaining the age of 59½. Withdrawals prior to attaining age 59½ are not permitted except in the event of retirement, disability or as a hardship distribution. Upon proof, to the satisfaction of the plan administrator, of an immediate and heavy financial need, amounts contributed may be withdrawn for a hardship purpose. Certain income tax penalties may apply to withdrawals or distributions prior to age 59½.

f. **Forfeitures**—When certain terminations of participation in the Plan occur, the nonvested portion of the participant’s account, as defined by the Plan, represents a forfeiture. Forfeitures are utilized to reduce Black Company matching contributions for the plan year. However, if the participant is re-employed and fulfills certain requirements, as defined in the Plan, the participant’s account will be reinstated.

g. **Termination of the Plan**—Black Company may terminate, amend, modify or suspend the Plan in whole or in part at any time. However, in any such event, the participants’ rights to their accrued benefits are nonforfeitable.

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**Note X: Description of Plan**

The following description of the XYZ Company ("Company") 401(k) Plan ("Plan") provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan’s provisions.

1. **General.** The Plan is a defined contribution plan covering all full-time employees of the Company who have one year of service and are age twenty-one or older. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).
2. **Contributions.** Each year, participants may contribute up to 12 percent of pretax annual compensation, as defined in the Plan. Participants may also contribute amounts representing distributions from other qualified defined benefit or contribution plans. The Company contributes 25 percent of the first 6 percent of base compensation that a participant contributes to the Plan. Additional amounts may be contributed at the option of the Company’s board of directors. All employer contributions are invested in XYZ Company common stock. Contributions are subject to certain limitations.

3. **Participant Accounts.** Each participant’s account is credited with the participant’s contribution and allocations of (a) the Company’s contribution and, (b) Plan earnings, and charged with an allocation of administrative expenses. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant’s vested account.

4. **Vesting.** Participants are immediately vested in their contributions plus actual earnings thereon. Vesting in the Company’s matching and discretionary contribution portion of their accounts plus actual earnings thereon is based on years of continuous service. A participant is 100 percent vested after five years of credited service.

5. **Investment Options.** Upon enrollment in the Plan, a participant may direct employee contributions in 25 percent increments in any of four investment options.

   - **Prosperity Investments Common Stock Fund**—Funds are invested in shares of a registered investment company that invests mainly in common stocks.
   - **Prosperity Investments Balanced Fund**—Funds are invested in shares of a registered investment company that invests in corporate bonds, common stocks and U.S. Government securities.
   - **XYZ Company Stock**—Funds are invested in common stock of XYZ Company.
   - **National Insurance Company Investment Contract**—Funds are invested in a guaranteed investment contract with an insurance company.

Participants may change their investment options quarterly.

6. **Participant Notes Receivable.** Participants may borrow from their fund accounts a minimum of $1,000 up to a maximum equal to the lesser of $50,000 or 50 percent of their account balance. Loan transactions are treated as a transfer to (from) the investment fund from (to) the Participant Notes fund. Loan terms range from 1-5 years or up to 25 years for the purchase of a primary residence. The loans are secured by the balance in the participant’s account and bear interest at a rate commensurate with local prevailing rates as determined quarterly by the Plan administrator. Interest rates range from 6 percent to 10 percent. Principal and interest is paid ratably through monthly payroll deductions.

7. **Payment of Benefits.** On termination of service due to death, disability or retirement, a participant may elect to receive either a lump-sum amount
equal to the value of the participant’s vested interest in his or her account, or annual installments over a ten year period. For termination of service due to other reasons, a participant may receive the value of the vested interest in his or her account as a lump-sum distribution.

8. **Forfeited Accounts.** At December 31, 19X2, forfeited nonvested accounts totaled $7,500. These accounts will be used to reduce future employer contributions. Also, in 19X2, employer contributions were reduced by $5,000 from forfeited nonvested accounts.

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**Note X: Description of Plan**

The following description of the XYZ Company ("Company") Profit-Sharing Plan ("Plan") provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan’s provisions.

1. **General.** The Plan is a defined contribution plan covering all full-time employees of the Company who have one year of service and are age twenty-one or older. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

2. **Contributions.** Each year, the Company contributes to the Plan 10 percent of its current profits before pension and profit-sharing costs and income taxes. Additional amounts may be contributed at the option of the Company’s board of directors. Participants may contribute up to 10 percent of their annual wages before bonuses and overtime. Contributions are subject to certain limitations.

3. **Participant Accounts.** Each participant’s account is credited with the participant’s contribution and an allocation of (a) the Company’s contribution, (b) Plan earnings, and (c) forfeitures of terminated participants’ nonvested accounts and charged with an allocation of administrative expenses. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant’s vested account.

4. **Vesting.** Participants are immediately vested in their voluntary contributions plus actual earnings thereon. Vesting in the Company contributions portion of their accounts plus earnings thereon is based on years of continuous service. A participant is 100 percent vested after five years of credited service.

5. **Payment of Benefits.** On termination of service due to death, disability or retirement, a participant may elect to receive an amount equal to the value of the participant’s vested interest in his or her account in either a lump-sum amount, or in annual installments over a ten year period. For termination of service due to other reasons, a participant may receive the value of the vested interest in his or her account as a lump-sum distribution.

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Note X: Plan Description and Basis of Presentation

The Sponsor Company (Company) established the Sponsor Company Stock Ownership Plan (Plan) effective as of January 1, 19XX. As of January 1, 19XY, the Plan was amended and operates, in relevant part, as a leveraged employee stock ownership plan (ESOP), and is designed to comply with Section 4975(e)(7) and the regulations thereunder of the Internal Revenue Code of 1986, as amended (Code) and is subject to the applicable provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). The Plan is administered by an Employee Benefits Administration Committee comprising up to three persons appointed by the Sponsor Company’s Board of Directors. The trust department of an independent third-party bank is the Plan’s Trustee.

The Plan purchased Company common shares using the proceeds of a bank borrowing (see Note 6) guaranteed by the Company, and holds the stock in a trust established under the Plan. The borrowing is to be repaid over a period of ten years by fully deductible Company contributions to the trust fund. As the Plan makes each payment of principal, an appropriate percentage of stock will be allocated to eligible employees’ accounts in accordance with applicable regulations under the Code. Shares vest fully upon allocation.

The borrowing is collateralized by the unallocated shares of stock and is guaranteed by the Company. The lender has no rights against shares once they are allocated under the ESOP. Accordingly, the financial statements of the Plan for the years 19X2 and 19X1 present separately the assets and liabilities and changes therein pertaining to:

a. the accounts of employees with vested rights in allocated stock (Allocated) and
b. stock not yet allocated to employees (Unallocated).

Employees of the Company and its participating subsidiaries are generally eligible to participate in the Plan after one year of service providing they worked at least 1,000 hours during such plan year. Participants who do not have at least 1,000 hours of service during such plan year or are not employed on the last working day of a plan year are generally not eligible for an allocation of Company contributions for such year.

No distributions from the Plan will be made until a participant retires, dies (in which case, payment shall be made to his or her beneficiary or, if none, his or her legal representatives), or otherwise terminates employment with the Company and its participating subsidiaries. Distributions are made in cash or, if a participant elects, in the form of Company common shares plus cash for any fractional share.

Each participant is entitled to exercise voting rights attributable to the shares allocated to his or her account and is notified by the Trustee prior to the time that such rights are to be exercised. The Trustee is not permitted to vote any share for which instructions have not been given by a participant.
The Company reserves the right to terminate the Plan at any time, subject to Plan provisions. Upon such termination of the Plan, the interest of each participant in the trust fund will be distributed to such participant or his or her beneficiary at the time prescribed by the Plan terms and the Code. Upon termination of the Plan, the Employee Benefits Administration Committee shall direct the Trustee to pay all liabilities and expenses of the trust fund and to sell shares of financed stock held in the loan suspense account to the extent it determines such sale to be necessary in order to repay the loan.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Note X (In Part): Summary of Significant Accounting Policies**

(d) **Forfeited Accounts**

In 19X2 and 19X1, forfeited nonvested accounts totaling $150,486 and $50,170, respectively were used to reduce employer contributions.

**Note X: Summary of Significant Accounting Policies**

*Basis of Accounting.* The financial statements of the Plan are prepared under the accrual method of accounting.

*Use of Estimates.* The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of net assets available for benefits and changes therein. Actual results could differ from those estimates.

*Investment Valuation and Income Recognition.* The Plan’s investments are stated at fair value except for its investment contract which is valued at contract value (Note C). Shares of registered investment companies are valued at quoted market prices which represent the net asset value of shares held by the Plan at year-end. The Company stock is valued at its quoted market price. Participant notes receivable are valued at cost which approximates fair value.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

*Payment of Benefits.* Benefits are recorded when paid.

**Note X (In Part): Summary of Significant Accounting Policies**

*Investment Valuation and Income Recognition.* The Plan’s investments are stated at fair value except for its investment contract which is valued at contract value
with an insurance company (Note D). If available, quoted market prices are used to value investments. The amounts shown in Note C for securities that have no quoted market price represent estimated fair value. Many factors are considered in arriving at fair value. In general, however, corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Investments in certain restricted common stocks are valued at the quoted market price of the issuer’s unrestricted common stock less an appropriate discount. If a quoted market price for unrestricted common stock of the issuer is not available restricted common stocks are valued at a multiple of current earnings less an appropriate discount. The multiple chosen is consistent with multiples of similar companies based on current market prices. Certificates of deposit are valued based on amortized cost or original cost plus accrued interest.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Note X (In Part): Summary of Significant Accounting Policies

Investment Valuation and Income Recognition. The common shares of the Company are valued at fair value on December 31, 19X2 and 19X1. Fair value is determined by annual independent appraisals.

Dividend income is accrued on the ex-dividend date.

Purchases and sales of securities are recorded on a trade-date basis. Realized gains and losses from security transactions are reported on the average cost method.

Note X (In Part): Summary of Significant Accounting Policies

Accounting Method

The accounts of the Plan are maintained, and the accompanying financial statements have been prepared, on the modified cash basis: investment income is recognized when received, disbursements are recognized when made and contributions are accrued at year-end. Additionally, securities investments are reflected at fair value. Accordingly, the financial statements are not intended to present the net assets and changes in net assets of the Plan in conformity with generally accepted accounting principles.
3. **INVESTMENTS**

**Note X (In Part): Summary of Significant Accounting Policies**

a. **Valuation of Investments**—Investments in the Balanced, Fixed and Growth investment accounts are presented at estimated fair value. If available, quoted market prices are used to value investments. Quoted market prices are based on the last reported sales price on the last business day of the year; securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at bid quotations. In instances wherein quoted market prices are not available, securities are stated at estimated fair value as determined by independent investment brokerage firms. Investments in common trust funds ("funds") are stated at estimated fair values, which have been determined based on the unit values of the funds. Unit values are determined by the bank sponsoring such funds by dividing the fund’s net assets at fair value by its units outstanding at the valuation dates. Investments in real estate are valued at estimated fair values as determined by independent appraisals. Investments in the growth limited partnerships are determined by the investment managers based on the estimated value of the various holdings of the partnership portfolio. Generally, the holdings are valued at public market, private market or appraised value.

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**Note X (In Part): Summary of Significant Accounting Policies**

**Valuation of Investments**

Investments in the Money Market Investment Fund are based on historical cost, which approximates fair value. Investments in the Stock Index Fund are reported at fair value based on the quoted asset value of shares of the fund. Investments in the Common Stock Fund are stated at fair value based upon the closing sales price of Common Stock reported on recognized securities exchanges on the last business day of the year. Investments in the Long-Term Income Fund are reported at fair value based on the quoted asset value of the bond issues of the fund. Investments in Whale Company Preferred Stock, Plan Series A, are valued at the greater of the fair value of 1.5 shares of Whale Company common stock or $71 per share. The value of $71 per share is the liquidation value established in the Statement with respect to the Preferred Stock, Plan Series A, filed with the Department of State under Section 1522 of the Delaware Business Corporation Law of 1988.

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Note X (In Part): Summary of Significant Accounting Policies

a. Investments—Investments consist of short-term common trust funds stated at estimated fair values which represent the net asset value of shares held by the plan at year-end. The investments included in the common trust funds are limited primarily to bonds, notes and other evidences of indebtedness which are payable upon demand. At September 30, 19X2 and 19X1, all investments were in the ABC Bank Temporary Investment Fund.

b. Expenses—The Plan’s administrative expenses are paid by either the Plan or the Company, as provided by the Plan document.

Note X (In Part): Summary of Significant Accounting Policies

a. Valuation of Investments—The investments of the Short-Term Fund, the Balanced Fund, the Equity Index Fund, and the Growth Fund are valued at fair market value based on quoted market prices. The investments of the Long-Term Fund are also valued at fair market based quoted market prices with the exception of private placement investments held by the Long-Term Fund. The private placement investments have been estimated by ABC Bank’s Valuation Committee in the absence of readily ascertainable market values. Net appreciation of the fair value of investments consists of the unrealized appreciation or depreciation of investments held during the year and the realized gain or loss on investments sold during the year.

[The following disclosure is for when the plan includes by-fund disclosure in the notes.]

Note 1 (In Part): Description of the Plan

The investments are allocated to the following funds as the participants direct:

- **The U.S. Treasury Fund**—a money market fund which invests in short-term U.S. treasury securities. The investment income earned by the Fund in 19X2 and 19X1 was $62,436 and $42,560; employee contributions were $52,058 and $270,344; and the distributions were $19,924 and $49,440, respectively.

- **U.S. Government Fund**—a government securities fund which invests primarily in direct obligations of the U.S. Treasury and mortgage-backed certificates issued by the Government National Mortgage Association. The investment income earned by the Fund in 19X2 and 19X1 was $14,382 and $53,920; employee contributions were $79,356 and $21,540; and the distributions were $3,230 and $26,900, respectively.

- **The Equity Fund**—a total return equity fund which invests primarily in common stocks. The investment income earned by the Fund in 19X2 and 19X1 was $720,224 and $928,636; employee contributions were $295,968 and $310,024; and the distributions were $116,920 and $462,444, respectively.
Chapter 2: Disclosures Specific to Defined Contribution Pension Plans

- **The Growth Fund**—a fund which invests in stocks of rapidly growing companies. The investment income earned by the Fund in 19X2 and 19X1 was $369,294 and $714,582; employee contributions were $244,560 and $336,874; and the distributions were $133,016 and $229,960, respectively.

- **International Growth Fund**—a fund which invests in securities of companies outside of the U.S. The Fund also maintains limited investments in government bonds of nations outside of the U.S. The investment income earned by the Fund in 19X2 and 19X1 was $438,506 and $228,664; employee contributions were $429,690 and $377,154; and the distributions were $97,158 and $170,024, respectively.

- **Small Companies Fund**—a fund which invests in smaller companies in the U.S. and foreign countries. The investment income earned by the Fund in 19X2 and 19X1 was $389,344 and $376,856; employee contributions were $394,478 and $386,422; and the distributions were $55,688 and $318,734, respectively.

- **Growth and Income Fund**—a fund which invests in a diversified portfolio of common stocks and other equity-type securities, bonds, and money market instruments. The investment income earned by the Fund in 19X2 and 19X1 was $177,584 and $86,872; employee contributions were $150,912 and 219,570; and the distributions were $13,642 and 24,334, respectively.

Participants may transfer or redirect contributions monthly.

The Corporation may make contributions to the Plan in amounts determined by the Board of Directors. Any such contributions are allocated to the participants’ pre-tax account as provided by the Plan. Contributions of $235,716 and $86,042 were made by the Corporation in 19X2 and 19X1, respectively. See Note Y for additional information regarding the contributions made by the Corporation.

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**Note X: Investments**

The following table presents the individual investment securities that exceeded 5% of the Plan’s net assets available for benefits at December 31, 19X2 and 19X1:

<table>
<thead>
<tr>
<th>December 31, 19X2</th>
<th>Number of shares</th>
<th>Net value</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prosperity Trust Company Mutual Funds:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balanced Fund</td>
<td>1,706,096</td>
<td>34.00</td>
<td>29,020,694</td>
</tr>
<tr>
<td>Stock Fund</td>
<td>1,309,820</td>
<td>61.54</td>
<td>40,303,192</td>
</tr>
<tr>
<td>Equity Fund</td>
<td>798,756</td>
<td>42.86</td>
<td>17,117,360</td>
</tr>
</tbody>
</table>
Financial Statement Reporting and Disclosure Practices for Employee Benefit Plans

<table>
<thead>
<tr>
<th>Insurance company investment funds, at contract value:</th>
<th>Crediting interest rate</th>
<th>Maturity date</th>
<th>Contract value</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Insurance Company Ct. No. HB-078080</td>
<td>6.78%</td>
<td>6/X4–12/X5</td>
<td>31,976,348</td>
</tr>
<tr>
<td>Primary Insurance Company Group Ct. No. HB-25220</td>
<td>5.01%–5.90%</td>
<td>1/X3–6/X4</td>
<td>20,464,236</td>
</tr>
<tr>
<td>The XYZ Insurance Company Group Pension Contract No. HB-7012-322</td>
<td>8.36%</td>
<td>6/X3</td>
<td>27,762,794</td>
</tr>
<tr>
<td>Short-Term Money Market Portfolio</td>
<td>—</td>
<td>—</td>
<td>14,365,116</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ABC Bank Commingled Pension Trust Funds:</th>
<th>Crediting interest rate</th>
<th>Maturity date</th>
<th>Contract or fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund A</td>
<td>—</td>
<td>—</td>
<td>36,930,000</td>
</tr>
<tr>
<td>Fund B</td>
<td>—</td>
<td>—</td>
<td>13,256,914</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Insurance company investment funds, at contract value:</th>
<th>Crediting interest rate</th>
<th>Maturity date</th>
<th>Contract or fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Insurance Company Ct. No. HB-078080</td>
<td>6.78%</td>
<td>6/X4–12/X5</td>
<td>29,923,544</td>
</tr>
<tr>
<td>DEF Life Insurance Company GAC No. 24318</td>
<td>7.00%</td>
<td>12/X2–12/X4</td>
<td>23,008,478</td>
</tr>
<tr>
<td>Primary Insurance Company Group Ct. No. HB-25220</td>
<td>5.01–8.00%</td>
<td>1/X2–6/X4</td>
<td>30,912,756</td>
</tr>
<tr>
<td>The XYZ Insurance Company Group Pension Contract No. HB-7012-322</td>
<td>8.36%</td>
<td>6/X3</td>
<td>25,597,268</td>
</tr>
</tbody>
</table>

December 31, 19X1

<table>
<thead>
<tr>
<th>ABC Bank Commingled Pension Trust Funds:</th>
<th>Crediting interest rate</th>
<th>Maturity date</th>
<th>Contract or fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund A</td>
<td>—</td>
<td>—</td>
<td>36,930,000</td>
</tr>
<tr>
<td>Fund B</td>
<td>—</td>
<td>—</td>
<td>13,256,914</td>
</tr>
</tbody>
</table>

4. CONTRACTS WITH INSURANCE COMPANIES (INCLUDING SOP 94-4 DISCLOSURES)

Note X: Investment Contracts

Effective January 1, 19X2, the Plan adopted the provisions of Statement of Position ("SOP") 94-4, "Reporting of Investment Contracts Held by Health and Welfare Benefit Plans and Defined-Contribution Pension Plans." SOP 94-4 requires a defined contribution plan to report investment contracts at fair value. According
to the provisions of SOP 94-4, the contracts for this Plan have been deemed to be fully benefit responsive. As such, the contracts are presented at contract value on the statement of net assets available for benefits. The fair value of the contracts are estimated to be approximately $27 million as of December 31, 19X2. The crediting interest rates at December 31, 19X2 for the contracts range from 5.15% to 8.25%, and the fair value interest rate for similar contracts was 5.10% at December 31, 19X2. The crediting interest rates are reset upon the maturity of the contracts.

Note X (In Part): Summary of Significant Accounting Policies

(b) Investment Valuation and Income Recognition

In 19X2, the Plan has adopted Statement of Position No. 94-4 “Reporting of Investment Contracts Held by Health and Welfare Benefit Plans and Defined- Contribution Pension Plans” (SOP 94-4) which specifies the accounting for investment contracts issued by either an insurance enterprise or other entity. The Plan’s Guaranteed Investment Accounts are fully benefit-responsive and in accordance with SOP 94-4 are recorded at contract value, which approximates fair value. Contract value represents contributions made under the contract, plus interest at a specified rate determined-semi-annually by ABC Bank. The average effective yield on these accounts, which equals the average crediting interest rate, were as follows:

- January 1, 19X2—August 31, 19X2: 6.00%
- September 1, 19X2—December 31, 19X2: 5.70%

In 19X1, the Plan’s investment in guaranteed investment accounts with ABC Bank and National Life Insurance Company (National) are valued at contract value. The guaranteed rates on the contracts for 19X1 were 6.00% and 8.25% for the ABC Bank and National contracts, respectively.

Shares of registered investments are valued at their quoted market prices which represent the net asset value of shares held by the Plan at year-end. Participant loans receivable are valued at cost which approximates fair value. Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Note X (In Part): Summary of Significant Accounting Policies

Investment Income—Investment income is credited annually to the contracts as earned and is based upon a calculation made by ABC Bank. Interest is guaranteed at an effective annual rate of return of 4.50% for the contract that matured on December 31, 19X2 and 7.50% for the contract that matures on December 31, 19X4. If during the contract period January 1, 19X2, through
December 31, 19X4, the average annual rate of return is less than 7.5% the Company will make an additional contribution to the Plan which will provide an 7.5% average annual rate of return to the Plan.

Note X (In Part): Summary of Significant Accounting Policies

a. Valuation of Investment Securities—Investments in common stocks are stated at fair value based upon closing sales prices reported on recognized securities exchanges on the last business day of the fiscal year or, for listed securities having no sales reported and for unlisted securities, upon last reported bid prices on that date. Investments in Class A Common Stock of the Company are stated at fair value based upon the closing sales prices of the Common Stock into which it is convertible. Investments in certificates of deposit, money market funds and corporate debt instruments (commercial paper) are stated at cost which approximates fair value.

b. Valuation of Guaranteed Annuity Contracts—The guaranteed annuity contracts with insurance companies are valued at contract value. Contract value represents contributions made by participants, plus interest at the contract rates, less withdrawals or transfers by participants. The fair value of the guaranteed annuity contracts is approximately $644 million at September 30, 19X2.

c. Expenses—Plan fees and expenses, including fees and expenses connected with the providing of administrative services by external service providers, are paid from Plan assets.

Note X: Investment Contract with Insurance Company

In 19X1, the Plan entered into an investment contract with National Insurance Company (National). National maintains the contributions in a pooled account. The account is credited with earnings on the underlying investments and charged for Plan withdrawals and administrative expenses charged by National. The contract is included in the financial statements at contract value, (which represents contributions made under the contract, plus earnings, less withdrawals and administrative expenses), because it is fully benefit responsive. For example, participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. There are no reserves against contract value for credit risk of the contract issuer or otherwise. The fair value of the investment contract at December 31, 19X2 and 19X1 was $2,600,000 and $1,716,000, respectively. The average yield and crediting interest rates were approximately eight percent for 19X2 and 19X1. The crediting interest rate is based on an agreed-upon formula with the issuer, but cannot be less than four percent.
Note X: Insurance Company Investment Contracts

Statement of Financial Accounting Standards (SFAS) No. 107, "Disclosures about Fair Value of Financial Instruments" defines the fair value of a financial instrument as the amounts at which the instruments could be exchanged in a current transaction between willing parties. The carrying value of all the financial instruments of the Plan are at fair market value, except for investment contracts included in the Insurance Company Investment Fund.

Funds may be withdrawn pro rata from all the investment contracts at contract value determined by the respective insurance companies to pay Plan benefits and to make participant-directed transfers to other funds pursuant to the terms of the Plan after the amounts in the STF (Short-Term Fund) reserve are depleted.

Fair value for fixed rate GICs is calculated by projecting the future cash flows for the contract at the contractual crediting rate, and then discounting it by a rate that approximates the current market rates for a contract of equal credit quality and duration. For synthetic GICs, fair value is equal to the market value of the underlying security plus any accrued income.

<table>
<thead>
<tr>
<th>Maturity date</th>
<th>Crediting interest rate (%)</th>
<th>Contract value</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>XYZ Life Insurance Company Ct. No. 8377 GAC 12/X4</td>
<td>4.89</td>
<td>6,547,204</td>
<td>6,501,628</td>
</tr>
<tr>
<td>DEF Life Insurance Company Group Annuity Ct. No. 24318 12/X4</td>
<td>7.00</td>
<td>12,338,296</td>
<td>12,568,652</td>
</tr>
<tr>
<td>National Insurance Company Ct. No. HB078080 6/X4-12/X5</td>
<td>6.80</td>
<td>31,976,348</td>
<td>33,254,592</td>
</tr>
<tr>
<td>Workers Life ABS Ct. No. CEB11285UV#1 7/X3-12/X3</td>
<td>5.92</td>
<td>7,572,060</td>
<td>7,590,656</td>
</tr>
<tr>
<td>Workers Life ABS Ct. No. CEB11285UV#2 4/X4</td>
<td>6.10</td>
<td>7,613,532</td>
<td>7,668,394</td>
</tr>
<tr>
<td>Primary Insurance Company Group Ct. No. HB-25220 1/X3-6/X4</td>
<td>5.01-5.90</td>
<td>20,464,236</td>
<td>20,454,126</td>
</tr>
<tr>
<td>Group Pension Ct. No. GA-7012-323 12/X3-12/X4</td>
<td>5.01</td>
<td>5,050,686</td>
<td>5,030,934</td>
</tr>
<tr>
<td>DEF Life Insurance Company Ct. No. 5675 9/X4</td>
<td>6.30</td>
<td>7,187,012</td>
<td>7,288,758</td>
</tr>
<tr>
<td>Short-Term Fund</td>
<td></td>
<td>14,365,116</td>
<td>14,365,116</td>
</tr>
<tr>
<td></td>
<td></td>
<td>148,791,920</td>
<td>150,737,034</td>
</tr>
</tbody>
</table>
Note X: Sample Life Contract

The Plan’s Fixed Fund has an investment in a Sample Life Insurance Company (of Wisconsin) Guaranteed Investment Contract. On March 10, 19X0, the Insurance Commissioner of Wisconsin (the Commissioner) took legal action which resulted in Sample Life being placed into conservatorship. Various subsequent actions by the Commissioner and the Wisconsin courts have resulted in the proposed sale of Sample Life to an investor group, resolution that no payments will be made under existing contracts for five years, unless contract holders opt out of the restructuring plan at a penalty, and interest rates on existing contracts being reduced.

In June 19X0, the Company notified employees that it had agreed to protect the interests (as of March 10, 19X0) of those Plan participants invested in the Sample Life contract. During 19X1, the Company requested and received Department of Labor and Internal Revenue Service approval to make a special one-time total payment of $51,322,990 to the Plan which was paid in December 19X1. This action released for reinvestment Plan funds that were frozen because of the pending liquidation of Sample Life. Participants who had any portion of their individual accounts invested in the Sample Life contract were given an opportunity to reinvest that balance in any of the Plan’s funds.

Included in Plan assets at December 31, 19X2 is $21,874,512 representing the Plan’s interest in the Sample Life contract valued at the March 31, 19X0 contract value, net of $29,448,478 received by those plans during 19X2 and 19X1 from the Sample Life contract which was repaid to the Company. The Plan’s potential repayment of the remainder of the one-time payment to the Company which is shown as a liability in the Statement of Net Assets Available for Benefits at December 31, 19X2, is restricted to amounts actually received by the Plan with respect to the Sample Life contract not to exceed the amount of the one-time payments.

5. Loan Payable

Note X: Loan Payable (ESOP)

In 19XX, the Plan entered into an $80,000,000 term loan agreement with a bank. The proceeds of the loan were used to purchase Company’s common stock. Unallocated shares are collateral for the loan. The agreement provides for the loan to be repaid over ten years. The scheduled amortization of the loan for the next five years and thereafter is as follows: 19X3—$6,500,000; 19X4—$7,000,000; 19X5—$7,500,000; 19X6—$8,000,000; 19X7—$8,500,000; and thereafter—$31,470,900. The loan bears interest at the prime rate of
Chapter 2: Disclosures Specific to Defined Contribution Pension Plans

the lender. For 19X2 and 19X1 the loan interest rate averaged 7.34 percent and 5.12 percent, respectively.

6. EMPLOYER CONTRIBUTIONS

Note X: Matching Contributions

Effective January 1, 19X2, a matching contribution feature, which provides that the Company will contribute $.25 for every $1.00 of salary reduction contributions by a Participant to his or her 401(k) account up to a maximum of 6% of his or her eligible salary, was implemented by the Plan.

The Company will match up to an additional $.25 on every $1.00 of eligible employee contributions as an annual performance matching contribution if the Company achieves certain performance objectives established by the Company’s board of directors. The Company is funding its match with contributions to a tandem leveraged Employee Stock Ownership Plan (ESOP). See Note X below. In 19X2 and 19X1, these incentive goals were met and an additional performance matching contribution was made to each Participant’s Matching Contribution Account.

Note X (In Part): Description of the Plan

Contributions—An eligible employee may become a participant in the Plan by completing an enrollment form whereby the employee agrees to accept a specified reduction in salary/wage for each pay period in consideration of Yellow Company contributing such amount to the Plan. Participants may elect to contribute between 1% and 15% of their compensation, excluding bonuses and commission, to the Plan each year. Such contributions are excluded from the participant’s taxable income for federal income tax purposes until received as a withdrawal or distribution from the Plan. A participant may increase or decrease the amount of the salary/wage reduction on the first day of each Plan quarter.

Each month Yellow Company will make a matching contribution to each participant’s account equal to 25% of the amount of the participant’s contribution. The maximum contribution amount eligible to be matched is 5% of compensation. The Yellow Company matching contributions are allocated to participants’ accounts on each monthly valuation date. Total participant contributions in any calendar year are limited to the applicable limit under Internal Revenue Code Section 402(g). Such limit is $9,500 for calendar years 19X2 and 19X1. The Plan also provides that certain limitations may be imposed on participant’s contributions in order to comply with statutory requirements.
Note X (In Part): Description of Plan

b. Contributions—Contributions under the Plan may be made by both the participants and the Corporation. A participant may elect to make pre-tax contributions of at least 1% of eligible annual compensation up to a maximum percentage as determined by the plan administrator. For 19X2, the maximum employee contribution permitted was $9,240 and the maximum employee matching contribution was $5,000. Additionally, the Plan document provides for voluntary after-tax contributions. Contributions are invested in mutual funds at the discretion of the participants. The investments are allocated to the following funds as the participants direct:

- **The U.S. Treasury Fund**—a money market fund which invests in short-term U.S. treasury securities. The investment income earned by the Fund in 19X2 and 19X1 was $10,640 and $5,391; employee contributions were $67,586 and $10,510; and the distributions were $12,360 and $15,620, respectively.

- **U.S. Government Fund**—a government securities fund which invests primarily in direct obligations of the U.S. Treasury and mortgage-backed certificates issued by the Government National Mortgage Association. The investment income earned (lost) by the Fund in 19X2 and 19X1 was $13,480 and ($3,267); employee contributions were $5,385 and $6,018; and the distributions were $6,725 and $11,391, respectively.

- **Fund A**—a total return equity fund which invests primarily in common stocks. The investment income earned by the Fund in 19X2 and 19X1 was $232,159 and $1,051; employee contributions were $77,506 and 60,923; and the distributions were $115,611 and $85,382, respectively.

- **Fund B**—a fund which invests in stocks of rapidly growing companies. The investment income earned (lost) by the Fund in 19X2 and 19X1 was $178,646 and ($626); employee contributions were $84,219 and $63,130; and the distributions were $57,490 and $22,255 respectively.

- **Growth Fund**—a fund which invests in securities of companies outside of the U.S. The Fund also maintains limited investments in government bonds of nations outside of the U.S. The investment income earned by the Fund in 19X2 and 19X1 was $57,166 and $3,391; employee contributions were $94,289 and $64,500, and the distributions were $42,506 and $30,951, respectively.

- **SmallCap Fund**—a fund which invests in smaller companies in the U.S. and foreign countries. The investment income earned (lost) by the Fund in 19X2 and 19X1 was $94,214 and ($10,932); employee contributions were $96,606 and $79,901; and the distributions were $79,684 and $24,125, respectively.

- **Growth and Income Fund**—a fund which invests in a diversified portfolio of common stocks and other equity-type securities, bonds and money market instruments. The investment income earned by the Fund in 19X2
and 19X1 was $21,718 and $849; employee contributions were $54,893 and $37,827; and the distributions were $6,084 and $17,095, respectively.

Participants may transfer or redirect contributions monthly.

The Corporations may make contributions to the Plan in amounts determined by the Board of Directors. Any such contributions are allocated to the participants’ pre-tax account as provided by the Plan. Contributions of $46,511 were made by the Corporation in 19X1. See Note X for additional information regarding the contributions made by the Corporation.

7. INTEREST IN MASTER TRUST

Note X: Investment in Master Trust

At June 30, 19X2 and 19X1, the Plan’s investment assets were held in a trust account at Prosperity and consist of an interest in a Master Trust. The Master Trust also includes the investment assets of the Retirement Plan for Hourly Employees of the XYZ Company’s Toledo, Ohio Division, Richmond, Virginia Division, and Louisville, Kentucky Division.

The Master Trust was composed of the following investments at June 30, 19X2 and 19X1:

<table>
<thead>
<tr>
<th></th>
<th>19X2</th>
<th>19X1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed-Income Fund</td>
<td>690,526</td>
<td>619,154</td>
</tr>
<tr>
<td>Short-Term Fund</td>
<td>180,996</td>
<td>184,684</td>
</tr>
<tr>
<td>Intermediate Income Fund</td>
<td>491,606</td>
<td>392,412</td>
</tr>
<tr>
<td>Equity Index Fund</td>
<td>749,326</td>
<td>595,618</td>
</tr>
<tr>
<td>Capital Growth Fund</td>
<td>864,098</td>
<td>707,742</td>
</tr>
<tr>
<td>ABC International Equity Fund</td>
<td>528,592</td>
<td>555,816</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td><strong>$3,505,144</strong></td>
<td><strong>$3,055,426</strong></td>
</tr>
</tbody>
</table>

The net investment income of the Master Trust for the years ended June 30, 19X2, and 19X1 is summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>19X2</th>
<th>19X1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest</td>
<td>$ 221,126</td>
<td>$ 273,684</td>
</tr>
<tr>
<td>Dividends</td>
<td>17,596</td>
<td>16,058</td>
</tr>
<tr>
<td>Net appreciation (depreciation) in fair value of investments</td>
<td>178,724</td>
<td>(89,812)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 417,446</strong></td>
<td><strong>$ 199,930</strong></td>
</tr>
</tbody>
</table>

The Plan’s interest in the Master Trust as a percentage of net assets of the Master Trust was 61.3% and 59.3% at June 30, 19X2, and 19X1, respectively.
8. PLAN AMENDMENTS

Note X (In Part): Description of Plan

Plan Amendment. Effective October 1, 19X2, the Plan was amended and restated ("Plan Amendment") and a new trustee, administrator and custodian ("Trustee") of the Plan was appointed. Plan assets transferred to the new Trustee were transferred into funds comparable to those offered by the previous custodian. The conversion initiated a "Black Out" period beginning October 1, 19X2 and continued through January 15, 19X3. During this period, funds could not be applied to the employee selected funds with the Trustee or withdrawn from the Plan until the Trustee had time to accurately complete the conversion. During this period, employee contributions continued to be made through payroll deductions and the contributions were deposited and held in the Equity Fund until the completion of the Black Out period. At the end of the Black Out period, these funds were transferred to the new Trustee and invested in funds as requested by each participant.

Note X: Changes in the Plan

The Plan had no significant amendments during the periods ended December 31, 19X1, December 31, 19X0, or November 30, 19X0, except for changing the Plan year-end from November 30 to December 31, effective December 1, 19X1.

Effective October 1, 19X2, the name of the Plan was changed to the Omega Savings and Investment Plan for Salaried Employees. In addition, on October 1, 19X2, the Plan was amended to provide for four investment funds in which participant contributions to the Plan may be invested. These are Fund A, which invests primarily in debt securities with maturities of three years or less; Fund B, which invests primarily in stocks, bonds and other corporate securities, except those issued by Omega Corporation, Fund C, which invests in insurance company contracts providing a guarantee of principal and stated rate of interest for a specified period; and Fund D, which invests in U.S. Treasury and government agency bonds, with intermediate maturities averaging five years or less. Company contributions are invested in the Stock Fund, which invests in common stock of Omega Corporation. Effective October 1, 19X2, the Plan was also amended to provide a variable Company match ranging from 50% to 100% of a participant's contributions, provided that such amount does not exceed 6% of a participant's base compensation. The percentage match is determined based on the consolidated net sales growth of Omega Corporation. Company contributions, effective October 1, 19X2 are made in the form of cash or common stock, or any combination thereof.
9. PLAN MERGERS AND ACQUISITIONS

Note X (In Part): Description of Plan

(a) General

The Plan is a defined contribution plan covering substantially all employees of ABC Savings and Loan Association (the Association and plan administrator). The Plan was established in March of 19X0, and is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

After the close of business on January 31, 19X2, ABC Corporation, the holding company for the Association, acquired DEF Company (DEF) with DEF ultimately merging with and into the Association.

Effective January 27, 19X2, DEF terminated the DEF 401(k) Plan (the DEF Plan). Upon termination of the DEF Plan, all of its participants were immediately fully vested in the benefits provided pursuant to the DEF Plan, and the trustee of the DEF Plan was directed to distribute the assets of the DEF Plan to the eligible participants.

Pursuant to the terms of the Plan, as amended, participants in the DEF Plan who continued in the employ of the Association following the acquisition of DEF were provided the opportunity to transfer the distributions (including loans) from the DEF Plan to the Plan. Distributions of $1,675,254 consisting of $1,467,746 in cash and $207,508 in loans, were transferred from the DEF Plan to the Plan during the first five months of 19X2. In addition, the Plan was amended to provide service credit for eligibility and vesting for individuals employed by DEF, as of the date of acquisition and who subsequently became employees of the Association.

Note X: Subsequent Events

On January 1, 19X2, the Plan was merged into the Company’s Deferred Compensation Plan. Under the new consolidated plan, the three individual components (Deferred Compensation Plan, Capital Accumulation, and Employee Savings Plan) formerly comprising the two separate plans, will be retained.

In addition, the Plan changed its trustee from XYZ Bank to ABC Bank and its record keeper from DEF to GHI, effective January 1, 19X2. In April of 19X2, GHI was acquired and record keeping responsibilities were assumed by Alpha Bank and Trust Company.
10. PLAN TERMINATIONS

Note X: Plan Terminations

The company has reserved the right to terminate the Plan or reduce or cease contributions at the discretion of the Board of Directors, or to amend the Plan at any time and in any respect. However, no such action may deprive any participant or beneficiary under the Plan of any vested right.

Note X (In Part): Description of Plan

Plan Termination. In the event the Plan is wholly or partially terminated, or upon the complete discontinuance of contributions under the Plan by any entity that is a part of the Company, each participant's interest in their Company Account affected by such termination or discontinuance shall be nonforfeitable on the date of such termination or discontinuance. Any unallocated assets of the Plan fund then held by the Trustee shall be allocated among the appropriate Company Accounts, and Employee Accounts of the participants and will be distributed in such a manner as the Company may determine.

Note X: Subsequent Events—Plan Termination

Effective April, 19X3, Dolphin, Inc. announced the termination of the Plan and the intention to transfer existing account balances into successor plans. The hourly employees at the Columbus and Augusta, Georgia, and Mobile, Alabama facilities of the Electronic Systems Division became eligible to participate in the Dolphin Corporation Savings Plan effective May 1, 19X3. The hourly employees at the Ames, Cedar Rapids, Dubuque, Des Moines, and Waterloo, Iowa facilities of the Missile Division became eligible to participate in a new Retirement Savings Plan effective June 1, 19X3.

Note X: Termination of Plan

On June 1, 19X2, the company entered into an agreement providing for the sale of certain assets of Alpha Company ("Alpha") to Beta Company ("Beta") effective June 2, 19X2. As a result of this transaction, most participants in the Plan terminated their employment with Alpha and commenced employment with Beta, and their Plan accounts were transferred to the Beta Employee Retirement Savings Plan. Most of the remaining participants who terminated employment with Alpha and did not commence employment with Beta have had their Plan accounts distributed during 19X2 in accordance with Plan...
provisions. With respect to plan participants who are continuing employment with an affiliate of the company, their Plan accounts were transferred to the Beta Affiliate Pension Plan. The company has adopted amendments to the Plan discontinuing all contributions as of June 2, 19X2, and terminating the Plan as of that date. The Plan was also amended to include the transfer of remaining Profit-Sharing Plan participant accounts into the Beta Plan as of May 31, 19X3. Transferred accounts will be treated in accordance with the Beta Plan’s provision concerning unclaimed benefits.

Note X (In Part): Description of the Plan

Plan Termination

By action of its Board of Directors, Sample Company and its U.S. subsidiaries (the Company) terminated the Plan on December 31, 19X1, and filed an application with the Internal Revenue Service for approval.

Once Internal Revenue Service approval has been received, the net assets will be distributed to participants. Participants will have a choice of options regarding these distributions. Participants may elect either an annuity, lump-sum payment, IRA rollover or direct transfer into one of the Company’s other plans.

11. OTHER

Note X: Employee Stock Ownership Plan (ESOP) and Note Payable to Company

In December 19W0, Guppie, Inc. established an ESOP to provide matching contributions under the Plan. Guppie, Inc. issued and sold 1,690,140 shares of Preference Stock, Plan Series A, to the Plan. As consideration for the stock, the Plan issued a promissory note to Guppie, Inc. valued at $59,999,970 with an interest rate of 8.25%.

Principal payments, due January 1, commenced in 19X0. Effective December 31, 19X0, the terms of the Plan’s promissory notes were amended to reflect a 35 year amortization period. The revised minimum loan amortization requirements for the next five years are as follows: 19X3—$324,026; 19X4—$350,758; 19X5—$379,696; 19X6—$411,022; 19X7—$411,022; and thereafter, $38,260,498. The Company is obligated to make contributions in cash to the Plan which, when aggregated with the Plan’s dividends, equal the amount necessary to enable the Plan to make its regularly scheduled payment of principal and interest due on the note payable. This preference stock represented an unallocated investment of the Plan which the Plan began to allocate to individual Participant Accounts
beginning March 31, 19X0, as the promissory note was repaid. The preference stock has an annual dividend rate of $2.50 per share and at December 31, 19X2 and 19X1, each share of the preference stock is redeemable for equivalent share of Common Stock. Alternatively, the Participant may elect to receive a cash distribution upon withdrawal from the Plan.
CHAPTER 3: Disclosures Specific to Health and Welfare Benefit Plans

1. DESCRIPTION OF PLAN

Note X: Description of Plan

The following description of the Allied Industries Benefit Plan (the Plan) provides only general information. Participants should refer to the Plan agreement for a complete description of the Plan’s provisions.

General. The Plan provides health and other benefits covering all participants in the widgets industry in the Greater Metropolis area. The Plan and related trust were established on May 8, 1966, pursuant to a collective bargaining agreement between the Allied Employers’ Trade Association and the Allied Union, Local 802. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

Benefits. The Plan provides health benefits (medical, hospital, surgical, major medical, and dental), life insurance coverage, long-term disability benefits, and death benefits to full-time participants (with at least 450 hours of work in the industry during a consecutive three-month period) and to their beneficiaries and covered dependents. Retired employees are entitled to similar health benefits (in excess of Medicare coverage) provided they have attained at least age sixty-two and have fifteen years of service with participating employers before retirement.

The Plan also provides health benefits to participants during periods of unemployment, provided they have accumulated in the current year or in prior years credit amounts (expressed in hours) in excess of the hours required for current coverage. Accumulated eligibility credits equal to one year’s coverage may be carried forward.

Health, disability, and death claims of active and retired participants, dependents, and beneficiaries are processed by the Administrator Group, but the responsibility for payments to participants and providers is retained by the Plan.

In 19X2, the board of trustees amended the Plan to increase the deductible under major medical coverage from $100 to $300 and to extend dental coverage to employees retiring after December 31, 19X3. The amendment will not affect participating employers’ contributions to the Plan in 19X3 under the current collective bargaining agreement.

Contributions. Participating employers contribute 5.5 percent of wages pursuant to the current collective bargaining agreement between employers and the union (expiring February 19, 19X5). Employees and retirees may contribute
specified amounts, determined periodically by the Plan’s actuary, to extend coverage to eligible dependents.

Other. The Plan’s board of trustees, as Sponsor, has the right under the Plan to modify the benefits provided to active employees. The Plan may be terminated only by joint agreement between industry and union, subject to the provisions set forth in ERISA.

Note X: Description Of Plan

The International Plumbers Union XXX Welfare Fund was formed in 1952 under an agreement between the National Plumbers Contractor’s Association, Inc. and the International Plumbers Union XXX. The current agreement provides, among other things, for employers of members of the Union to contribute, on behalf of each member employed, based on employee classifications and work zones, to the Fund, on a weekly basis, and with a written report. Details of this agreement can be obtained at the Fund Office.

The Fund provides for accident, hospital, medical, surgical, disability, death, dental, optical and prescription benefits for eligible members as specified in the Plan. All benefits are provided from the assets of the Fund. All other pertinent information regarding the plan can be obtained at the Fund office.

A favorable ruling dated August 1, 1989, has been obtained from the Internal Revenue Service regarding the merger of International Plumbers Union XXX Vacation and Paid Holiday Fund with International Plumbers Union XXX Welfare Fund. As of September 30, 1989, International Plumbers Union XXX Vacation and Paid Holiday Fund ceased to exist as an independent entity and became a part of International Plumbers Union XXX Welfare Fund.

2. Summary of Significant Accounting Policies

Note X: Summary of Significant Accounting Policies

A. Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, benefit obligations, and changes therein, IBNR, eligibility credits, claims payable, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

B. Valuation of Investments. The Plan’s investments are stated at fair value. Securities traded on the national securities exchange are valued at the last reported sales price on the last business day of the plan year. Investments traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the average of the last reported bid
and asked prices. For certain corporate bonds that do not have an established fair value, the Plan’s board of trustees has established a fair value based on yields currently available on comparable securities of issuers with similar credit ratings.

C. Postretirement Benefits. The postretirement benefit obligation represents the total actuarial present value of those estimated future benefits that are attributed to employee service rendered to December 31. Postretirement benefits include future benefits expected to be paid to or for (1) currently retired or terminated employees and their beneficiaries and dependents and (2) active employees and their beneficiaries and dependents after retirement from service with the participating employers. Prior to an active employee’s full eligibility date, the postretirement benefit obligation is the portion of the expected postretirement benefit obligation that is attributed to that employee’s service in the industry rendered to the valuation date.

The actuarial present value of the expected postretirement benefit obligation is determined by an actuary and is the amount that results from applying actuarial assumptions to historical claims-cost data to estimate future annual incurred claims costs per participant and to adjust such estimates for the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as those for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment.

For measurement purposes, a 9.5 percent annual rate of increase in the per capita cost of covered health care benefits was assumed for 19X3; the rate was assumed to decrease gradually to 8.0 percent for 19X8 and to remain at that level thereafter. These assumptions are consistent with those used to measure the benefit obligation at December 31, 19X2.

The following were other significant assumptions used in the valuations as of December 31, 19X2 and 19X1.

<table>
<thead>
<tr>
<th>Assumption</th>
<th>19X2</th>
<th>19X1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted-average discount rate</td>
<td>8.0%—19X2; 8.25%—19X1</td>
<td></td>
</tr>
<tr>
<td>Average retirement age</td>
<td>60</td>
<td></td>
</tr>
<tr>
<td>Mortality</td>
<td>1971 Group Annuity Mortality Table</td>
<td></td>
</tr>
</tbody>
</table>

The foregoing assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of the postretirement benefit obligation.

D. Other Plan Benefits. Plan obligations at December 31 for health claims incurred by active participants but not reported at that date, for accumulated eligibility of participants, and for future disability payments to members considered permanently disabled at December 31 are estimated by the Plan’s actuary in accordance with accepted actuarial principles. Such estimated amounts are reported in the accompanying statement of the
Plan’s benefit obligations at present value, based on an 8.0 percent discount rate. Health claims incurred by retired participants but not reported at year end are included in the postretirement benefit obligation.

Note X: Accounting Policies

The records of International Plumbers Union XXX Welfare Fund are maintained on the accrual basis of accounting, except that benefit payments are recorded when paid (See Note Y).

3. Benefit Obligations

Note X (In Part): Summary of Significant Accounting Policies

d. Postretirement Benefit Obligations—In 19X2, the Plan adopted the provisions of Statement of Position ("SOP") 92-6, “Accounting and Reporting by Health and Welfare Benefit Plans,” and changed the basis of presentation of its financial statements to comply with the SOP. The postretirement benefit obligations represent the actuarial present value of those estimated future benefits that are attributed to employee service rendered to September 30, 19X2 and 19X1. Postretirement benefits include future benefits to be paid to or for (1) currently retired or terminated employees and their beneficiaries and dependents and (2) active employees and their beneficiaries and dependents after retirement from service with Hoth Corporation. Prior to an active employee’s full eligibility date, the postretirement benefit obligation is the portion of the expected postretirement benefit obligation that is attributed to that employee’s service rendered to the valuation date.

The actuarial present value of the expected postretirement benefit obligation is determined by an actuary and is the amount that results from applying actuarial assumptions to historical claims-cost data to estimate future annual incurred claims costs per participant and to adjust such estimates for the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as those for deaths, disability, withdrawal or retirement) between the valuation date and the expected date of payment.

For measurement purposes, healthcare cost trend rates were 8.0 percent for 19X3, gradually decreasing to 5.0 percent in the year 20XX; remaining at that level thereafter. All of the assumptions in the 19X2 valuations are the same as in the previous valuation except for assumptions relating to Compensatory Health Trend for 19X2, and the discount rate, which increased from 7.50 percent in 19X1 to 8.00 percent in 19X2.
The following were other significant assumptions used in the valuations as of September 30, 19X2 and 19X1:

- Retirement rates vary by age or by age and service for various groups of employees and divisional locations.
- Mortality assumptions were primarily based on the UP-19X2 Mortality Table with certain modifications made for various groups of employees and divisional locations.

The foregoing assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of the postretirement benefit obligations.

e. Other Benefit Obligations—Benefit claims currently payable include the Plan’s liability for claims incurred as of September 30, 19X2 and 19X1 but not reported, and the Plan’s liability for claims reported as of September 30, 19X2 and 19X1 but not yet processed. The Plan’s liability for claims incurred but not reported is estimated by the third-party administrators utilizing actuarial methods which take into consideration prior claims experience and the expected time period from the date such claims are incurred to the date that the related claims are submitted and paid.

Note X: Benefit Obligations

The Plan’s excess of benefit obligations over net assets at September 30, 19X2 and 19X1, relates primarily to the postretirement benefit obligation, the funding of which is not covered by the contribution rate provided by the current funding vehicle. It is expected that the deficiency will be funded through future contributions from the Plan sponsor and participants.

The weighted average health care cost-trend rate assumption (see Note X.d.) has a significant effect on the amounts reported in the accompanying financial statements. If the assumed rates increased by one percentage point in each year, it would increase the obligations as of September 30, 19X2 and 19X1, by $238,000,000 and $260,200,000, respectively.

Note X: Benefit Obligations

The Plan’s deficiency of net assets over benefit obligations at December 31, 19X2 and 19X1, relates primarily to the postretirement benefit obligation, the funding of which is not covered by the contribution rate provided by the current bargaining agreement. It is expected that the deficiency will be funded through future increases in the collectively bargained contribution rates.
The weighted-average health care cost-trend rate assumption (see note 2B) has a significant effect on the amounts reported in the accompanying financial statements. If the assumed rates increased by one percentage point in each year, it would increase the obligation as of December 31, 19X2 and 19X1, by $2,600,000 and $2,500,000, respectively.

4. OTHER

Note X: Estimated Contractor Contributions Receivable

Included in Estimated Contractor Contributions Receivable is the amount of $192,900 which has been turned over to the Fund’s Collection Attorney for appropriate legal action. A reserve for uncollectible accounts has been set up for 199X in the amount of $127,430 after discussion with the Fund’s Collection Attorney and Union officials regarding the probability of collecting some of the older receivables which are in litigation or bankruptcy.

Note X: Net Assets and Estimated Liabilities for Future Benefits

The Fund is required to provide welfare benefits to members who have accumulated the necessary length of service. The benefits include accident, hospital, medical, surgical, disability, death, dental, optical and prescription benefits. These benefits will be paid in future years and are funded through the Fund’s Net Assets. The estimated liabilities for future benefits have been computed by the actuarial firm retained by the Fund and reflect such liabilities at the beginning of the plan year as follows:

<table>
<thead>
<tr>
<th></th>
<th>1/1/X2</th>
<th>1/1/X1</th>
<th>1/1/X0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Liability for Covered Claims Incurred but not paid</td>
<td>$1,850,000</td>
<td>$1,302,056</td>
<td>$1,172,740</td>
</tr>
<tr>
<td>Estimated Liability for Benefit Eligibility Already Achieved</td>
<td>7,479,472</td>
<td>7,414,900</td>
<td>5,232,842</td>
</tr>
<tr>
<td>Total Estimated Liabilities for Future Benefits</td>
<td>$9,329,472</td>
<td>$8,716,956</td>
<td>$6,405,582</td>
</tr>
</tbody>
</table>

Details on the calculation of the liabilities outlined above and other pertinent actuarial assumptions are contained in the separate report issued by the Fund’s Actuary, which is available at the Fund Office.

In addition, the Fund has elected not to adopt the provisions of SOP 92-6 regarding benefit obligation information, specifically the calculation of the post-retirement benefit obligation. Had this benefit obligation been calculated, the total estimated liabilities for future benefits would increase by a material amount.
Note X: Rent

International Plumbers Union XXX and all affiliated Funds lease office space in Albany, New York from Sample Realty Corp. (a New York tax-exempt corporation), which is wholly owned by the International Plumbers Local Union XXX Pension Fund. On January 1, 19X2, a new three (3) year lease became effective in which monthly rent payments were $2,831 for 19X2 and are scheduled to increase to $2,972.50 and $3,121, respectively, for the 19X3 and 19X4 calendar years.

On July 1, 19X2, the fund also entered into a ten year lease arrangement for rental of furniture from Sample Realty Corp. at $295.84 per month.
CHAPTER 4: Other Financial Statement Disclosures

1. **Subsequent Events**

**Note X: Subsequent Event**

Effective January 1, 19X2, assets of participants that are employees of Red Corporation and Green Filmworks, Inc. were spun-off to a separate qualified plan.

Effective January 1, 19X2, the investments were transferred to ABC Bank. The funds are invested in the following investment options, as directed by the participants:

a. *Fund A*—This Portfolio consists of common stock, bonds and cash equivalents in an effort to generate a significant rate of capital growth over time.

b. *Fund B*—This Portfolio consists of common stocks, bonds and cash equivalents in an effort to generate a mix of some capital growth and some capital preservation.

c. *Fund C*—This option invests in a pooled investment trust fund. The Fund is comprised of a diversified portfolio of GICs and/or other stable value investments, such as certificates of deposits. The objective of this option is to generate a relatively high rate of interest while protecting against declines in market value.

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**Note X: Subsequent Events**

Effective April 1, 19X2, the name of the ABC Growth Fund was changed to the ABC Growth and Income Fund.

Effective June 1, 19X2, the Company has added four investment funds to the Plan. These funds are the Bullet Fund, the United Balanced Fund, the American Bond Fund, and the Constellation Capital Appreciation Fund.

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**Note X: Subsequent Event**

On May 25, 19X3, DEF Corporation agreed to acquire from ABC Corporation, its XYZ subsidiary. The effect this acquisition will have on the Plan has not been determined.

........................................
2. SOP 94-6, Risks and Uncertainties

Note X: Certain Significant Estimates

The plan sponsor’s operations involve manufacturing and supplying parts for a segment of the automotive industry that has been experiencing significant economic difficulties which has caused revenues of the sponsor to decline for the second consecutive year. While some layoffs have already occurred as a result, the sponsor does not provide layoff benefits to terminated or laid off employees. Although management expects to ultimately replace the lost revenues with new business, there is a reasonable possibility that in the subsequent period a significant number of employees will choose to retire early without a monetary incentive to do so in order to avoid being laid-off without benefits. A significant increase in the number of retired plan participants would significantly increase the present value of accumulated plan benefits and, depending on the number of participants electing to retire early, could cause the plan to be underfunded.

Note X: Certain Significant Estimates

The plan sponsor is engaged in collective bargaining with the union representing plan participants. Among other things, the union has demanded that employees receive a significant increase in hourly wages. Management of the plan sponsor has offered a significant increase in pension benefits in lieu of granting the union’s request for an increase in cash compensation. If accepted during the next year, the increase in pension benefits would significantly increase the present value of accumulated plan benefits.

Note X: Certain Significant Estimates

As part of an announced downsizing program, the plan sponsor intends to reduced employee headcount but has not yet decided on the number of employees to be terminated. Management intends to decide on that number during the next year. It is reasonably possible that when that decision is made it will result in some eligible employees receiving pension benefits sooner than expected and in an amount greater than originally projected which would significantly increase the present value of accumulated plan benefits.

Note X: Current Vulnerability Due to Certain Concentrations

The plan holds several apartment buildings for investment purposes. The properties are located in a town that has only one significant employer. The employer announced this year that it is considering leaving the area and it is
reasonably possible that the company will do so within the next year, which would significantly affect the plan’s future cash flows from rents and the value of the properties.

Note X: Current Vulnerability Due to Certain Concentrations

The plan holds investments in several high-tech companies whose values have tended to fluctuate based on market demand for their products and the market’s reaction to competing investment products in that industry. Given the rapidly changing state of the high-tech industry, it is reasonably possible that a significant decline in the fair value of those investments during the next year will occur and therefore it is reasonably possible that a change in the assumed rates of return used to calculate the present value of accumulated plan benefits would be needed.

Note X (In Part): Summary of Significant Accounting Policies

c. Use of Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires Plan management to make estimates and assumptions that affect the reported amounts of net assets available for benefits and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of Plan income and expenses during the reporting period. Actual results could differ from those estimates.

d. Concentration of Investments—Included in the Plan’s net assets available for benefits at December 31, 19X2 and 19X1, are investments in Goldfish Company common stock amounting to $10.0 million and $10.4 million, respectively, whose value could be subject to change based upon market conditions.

3. DERIVATIVES

Note X (In Part): Summary of Significant Accounting Policies

The derivatives most commonly used by the investment managers are highly liquid exchange traded equity and fixed income futures and over-the-counter foreign exchange forward contracts. The use of derivative instruments is not believed to materially increase the credit or market the risk of the Plan’s investments.

Note X: Derivatives

The Plan uses derivative financial instruments in the normal course of business to hedge against adverse changes in interest rates and foreign exchange rates.
These financial instruments include options written, forward foreign exchange contracts, and futures contracts. The time period related to these hedges is dependent upon the types of securities being hedged, and typically varies from three months to one year.

The plan manages market risk by limiting the use of derivatives to hedging activities or by limiting potential exposures to amounts that are not considered to be material to the statement of changes in net assets available for plan benefits. The Plan does not enter into individually structured deals, limiting derivative investments to standardized exchange-traded securities. The Plan posts collateral for the equity and fixed income futures contracts in the form of U.S. Treasury Bills with face values of $10,500,000 and $8,000,000 and market value of $10,374,000 and 7,918,000 at June 30, 19X2 and 19X1, respectively. The Plan had sold $164,146,000 and $71,440,000 S&P 500 Index futures as hedges against its equity holdings as of June 30, 19X2 and 19X1, respectively. The Plan had sold $34,060,000 and $0 U.S. Treasury long bond futures as hedges against its fixed income holdings as of June 30, 19X2 and 19X1, respectively.

Forward foreign exchange contracts are contracts for delayed delivery of securities or money market instruments in which the seller agrees to make delivery at a specified future date of a specified instrument, at a specified price or yield. The holder is exposed to credit risk for nonperformance and to market risk for changes in interest and currency rates. Those instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the statement of net assets available for plan benefits. The Plan attempts to mitigate this credit risk by utilizing the same policies in making commitments and conditional obligations as it does for on-balance-sheet instruments, and through structured trading with reputable parties and continual monitoring procedures. Accordingly, the Plan does not anticipate losses for nonperformance. The Plan does not require collateral or other security to support forward foreign exchange contracts.

At June 30, 19X2 and 19X1, the Plan had $102,558,000 and $127,882,000 of foreign currency exchange contracts receivable and $105,012,000 and $133,758,000 of foreign currency exchange contracts payable, respectively.

The Plan participates in a program of selling covered call and put options. The equities under option had a market value of $1,062,676,000 at June 30, 19X2 and $1,242,882,000 at June 30, 19X1.

Note X (In Part): Summary of Significant Accounting Policies

Derivative financial instruments are used by the Plan’s equity and balanced portfolio investment managers primarily to rebalance the fixed income/equity allocation of the Plan’s portfolio and to hedge the currency risk component of the Plan’s foreign investments. Certain of the fixed income investment managers
are permitted to use certain specified types of derivative instruments as part of their respective strategies. These strategies include the use of futures and options as substitutes for certain types of fixed income securities. Leveraging of the Plan’s assets and speculation are prohibited. Currency hedge positions are not permitted to exceed the level of exposure in the related Plan’s assets.

Note X (In Part): Summary of Significant Accounting Policies

c. Derivative Financial Instruments—Derivative financial instruments are utilized by the Group Trust Fund to reduce interest rate and foreign exchange risks. The Group Trust Fund has established a control environment which includes policies and procedures for risk assessment and the approval, reporting and monitoring of derivative financial instrument activities. The Group Trust Fund does not hold or issue derivative financial instruments for trading purposes. At December 31, 19X2 and 19X1, the Group Trust Fund held variable rate deposits ($1.8 million and $35.2 million, respectively) and forward exchange contracts ($5 million and $1.6 million, respectively). These derivative financial instruments are presented at estimated fair value on the Statements of Net Assets. During 19X2 and 19X1, the net gains or losses generated from the purchases and sales of these derivative financial instruments was not material. The future value of these derivative financial instruments and the related currency positions are subject to offsetting market risk resulting from foreign currency exchange rate volatility. Current market pricing models were used to estimate the fair values of the forward exchange contracts and the variable rate deposits.

4. RELATED PARTY DISCLOSURES

Note X: Related Parties

Little Title Company ("LTC") was one of five investment managers utilized by the Plan Administrator to manage the investments held by the Lobster Trust, Inc. LTC was a wholly owned subsidiary of Lobster, Inc. All of the members of the Board of Directors of Lobster, Inc. served on the Board of Directors of LTC. At December 31, 19X1 the fair value of assets held by the Lobster Trust that were managed by LTC was $72.8 million. LTC does not manage any investments held by the Company. Fees paid to LTC in 19X2 and 19X1 are considered to represent the fair market value of the services performed and are comparable to fees paid to the other investment managers.

LTC provides certain accounting, administrative and investment management services to the Plan for which no fees are charged.
Note X: Party-In-Interest Transactions
The plan has not considered Company contributions to the Plan or benefits accrued or paid by the Plan for participants as party-in-interest transactions.

For the year ended March 31, 19X2 and 19X1, the Plan purchased 45,114 and 5,316 shares of Sparks Company common stock, respectively, at a cost of $1,100,246 and $136,066, respectively. Of the shares acquired in 19X2, 39,700 were purchased from Sparks Company and 5,414 shares were purchased from employees.

Fees incurred by the Plan for investment management services amounted to $50,326 and $39,684 for the years ended March 31, 19X2 and 19X1, respectively.

Note X: Related Party Transactions
Certain Plan investments are shares of mutual funds managed by Prosperity Investments. Prosperity Investments is the trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest. Fees paid by the Plan for the investment management services amounted to $105,000 for the year ended December 31, 19X2.

Note X: Transactions with Parties-In-Interest
Fees paid during the year for legal, accounting, actuarial and other professional services rendered by parties-in-interest were based on customary and reasonable rates for such services.

5. Prohibited Transactions

Note X: Prohibited Transaction
During 19X2, the Plan was advanced funds by one of the custodians, ABC Bank, for the purchase of certain investments. The amount payable to ABC Bank at March 31, 19X2 amounted to approximately $173,800. This amount is included in accounts payable in the March 31, 19X2 financial statements. The Plan intends to repay ABC Bank for the amount borrowed which was prohibited according to the provisions of ERISA and the Internal Revenue Code. The Plan also paid $10,076 in interest during fiscal year 19X2 related to the funds advanced to the Plan.
6. GOING CONCERN

Note X: Subsequent Events
On April 15, 19X2, Bluefish Incorporated filed for reorganization under the protection of Chapter 11 of the Federal Bankruptcy Code. Management of the Company is in the process of developing its plan of reorganization, which will include the Plan’s unfunded liability (approximately $900,000 at December 31, 19X1), for submission to the Federal Bankruptcy Court for approval. In connection with this process, the possibility exists that the Court may terminate the Plan (a "distress termination") or, alternatively, the Pension Benefit Guaranty Corporation (P.B.G.C.) may terminate the Plan (an "involuntary termination"). In either case, vested benefits of the Plan are insured by P.B.G.C. subject to certain limitations including a ceiling on the maximum benefits payable which may be lower than certain Plan participants would otherwise have received under the Plan. In the event of a Plan termination, the net assets of the Plan would be distributed in accordance with the provisions of the Plan document. No provision for the above uncertainty has been made in the Plan's financial statements.

Note X (In Part): Summary of Significant Accounting Policies

a. Basis of Presentation. The accompanying financial statements of the ABC Hospital Employees’ Pension (Plan) have been prepared on an accrual basis of accounting. The financial statements and supplemental schedule have been prepared assuming that ABC Hospital (Hospital), the Plan’s sponsor will continue as a going concern. The Hospital’s recurring losses from operations and a partners’ deficit raise substantial doubt about the Hospital’s ability to continue as a going concern. On December 23, 19X0 the Hospital filed a petition for relief under Chapter 11 of the Federal bankruptcy laws in the United Sates Bankruptcy Court of the East District of New York. The uncertainty regarding the Hospital’s ability to continue as a going concern raises substantial doubt about the Plan’s continuation. Should the Plan be terminated, the terms discussed in note X(e) would be applicable. The financial statements and the supplemental schedule do not include any adjustments that might result from the outcome of this uncertainty.

7. TAX STATUS

Note X: Tax Status
The Plan obtained its latest determination letter in 19X3 in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance
with the applicable requirements of the Internal Revenue Code. Seahorse Corporation believes that the Plan currently is designed and being operated in compliance with the applicable requirements of the Internal Revenue Code and that, therefore, the Plan qualifies under Section 401(a) and the related trust is tax-exempt as of December 31, 19X2. Therefore, no provision for income taxes has been included in the Plan's financial statements.

Note X: Tax Status

The Plan obtained its latest determination letter in 19X0, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. The Plan has been amended since receiving the determination letter. The Plan was not timely amended to bring it into compliance with the requirements of the Tax Reform Act of 1986 and the Technical and Miscellaneous Revenue Act of 1988. The Company voluntarily requested to correct the defect under the Closing Agreement Program with the Internal Revenue Service. Under this program, the Company amended the Plan on September 30, 19X2, to bring the Plan into compliance. On June 15, 19X3, the Company and the Internal Revenue Service entered into a signed closing agreement in which the Internal Revenue Service concluded that it will treat the Plan as having been timely amended for the purposes of Tax Reform Act of 1986 and the Technical and Miscellaneous Revenue Act of 1988 with respect to plan years beginning after December 31, 1986. As part of the agreement, the Company paid $135,000 in penalties.

Effective October 1, 19X2, the Plan was amended and restated. The Company has not yet received a determination letter for the amended and restated plan. The Company believes that the Plan currently is designed and being operated in compliance with the applicable requirements of the Internal Revenue Code and that, therefore, the plan continues to qualify under Section 401(a) and the related trust continues to be tax-exempt as of December 31, 19X1. Therefore, no provision for income taxes is included in the Plan's financial statements.

Note X: Tax Status

The Plan then known as the Lando Corporation Plan for Eligible Employees of the Salary and Weekly Payrolls of Group Operations, obtained its latest determination letter in 19X0, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. The Plan has been amended and merged since receiving the determination letter. Lando Corporation (the "Company") is currently restating the Plan document to reflect all changes and upon completion of the restatement, will request a new determination letter. The Company believes that the Plan currently is designed and being operated in
compliance with the applicable requirements of the Internal Revenue Code and that, therefore, the Plan continues to qualify under Section 401(a) and the related trust continues to be tax-exempt as of December 31, 19X2. Therefore, no provision for income taxes has been included in the Plan’s financial statements.

Note X: Federal Income Taxes

The Company adopted a Prototype Standardized Profit Sharing Plan with a cash or deferral arrangement which received a favorable opinion letter from the Internal Revenue Service (IRS) on November 15, 19X0 which stated that the Plan and related trust are designed in accordance with applicable sections of the IRC. The Company identified certain operational omissions with respect to the Plan and has submitted an application under the Standardized Voluntary Compliance Resolution (SVP) program to the IRS. The plan administrator and counsel for the Company expect that the final outcome of the SVP process will not have any material effect on the Plan’s financial statements.

Note X: Income Tax Status

The trust fund established under the Plan to hold the Plan’s assets qualifies as an exempt organization under Section 501(c)(9) of the Internal Revenue Code (IRC).

The Internal Revenue Service made a favorable determination in a letter dated September 1, 19X0 that the Plan meets the requirements of IRC Section 501(c)(9) and is, therefore, exempt from federal income taxes under IRC Section 501(a). The Plan has since been amended and restated. The Trustee, plan sponsor and plan administrator are not aware of any course of action or series of events that have occurred that would adversely affect the qualified status of the Plan.

Note X: Tax Status

The Internal Revenue Service issued its latest determination letters on August 15, 19X0 which stated that the former plans (note X) and the underlying trust qualify under the applicable provisions of the Internal Revenue Code and therefore are exempt from Federal income taxes. Subsequently, the Plan has been amended and submitted to the Internal Revenue Service for a determination letter. In the opinion of the Plan Administrator, the Plan and its underlying trust have operated within the terms of the Plan and should remain qualified under the applicable provisions of the Internal Revenue Code.
Note X: Federal Income Taxes

The Plan has received a favorable determination letter from the Internal Revenue Service (IRS) dated February 28, 19X2 relating to amendments adopted by the Plan effective prior to the date thereof. The Plan was further amended on March 15, 19X3 effective February 1, 19X3. However, the Plan Administrator believes the Plan, as amended, is currently being operated in compliance with applicable requirements of the Internal Revenue Code and is exempt from Federal income taxes.

Note X: Income Tax Status

The Internal Revenue Service has ruled that the Plan and Trust qualify under Section 501 (c) (9) of the Internal Revenue Code and the Fund, therefore, is not subject to tax under present Federal income tax laws.

8. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

Note X: Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for plan benefits per the financial statements to the Form 5500:

<table>
<thead>
<tr>
<th></th>
<th>December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>19X2</td>
<td>19X1</td>
</tr>
<tr>
<td>Net assets available for plan benefits per the financial statements</td>
<td>$7,953,182</td>
<td>$6,608,408</td>
</tr>
<tr>
<td>Amounts allocated to withdrawing participants</td>
<td>(117,944)</td>
<td>(103,212)</td>
</tr>
<tr>
<td>Net assets available for plan benefits per Form 5500</td>
<td>$7,835,238</td>
<td>$6,505,196</td>
</tr>
</tbody>
</table>

The following is a reconciliation of benefits paid to participants per the financial statements to the Form 5500:

<table>
<thead>
<tr>
<th></th>
<th>Year ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>19X2</td>
</tr>
<tr>
<td>Benefits paid to participants per the financial statements</td>
<td>$1,195,582</td>
</tr>
<tr>
<td>Add: Amounts allocated to withdrawing participants at December 31, 19X2</td>
<td>117,944</td>
</tr>
<tr>
<td>Less: Amounts allocated to withdrawing participants at December 31, 19X1</td>
<td>(103,212)</td>
</tr>
<tr>
<td>Benefits paid to participants per the Form 5500</td>
<td>$1,210,314</td>
</tr>
</tbody>
</table>
CHAPTER 5: Limited Scope Audit Disclosures and Auditor’s Reports

DISCLOSURES:

1. INFORMATION CERTIFIED BY TRUSTEE

Note X: Information Certified by the Trustee

For 19X2, the financial information included in the Plan financial statements, except for contributions receivable, contributions, and distributions for withdrawals and terminations, has been derived from information certified as complete and accurate by the Trustee, in accordance with Section 2520.103-5 of the Department of Labor Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Note X: Trustee Information (Unaudited)

The following is a summary of the unaudited information regarding the Plan as of December 31, 19X2 and 19X1, and for the years then ended, included in the Plan’s financial statements and supplemental schedules, that was prepared by or derived from information prepared by ABC Bank, the trustee of the Plan, and furnished to the plan administrator. The plan administrator has obtained certifications from the trustee that such information is complete and accurate.

<table>
<thead>
<tr>
<th>Investments:</th>
<th>19X2</th>
<th>19X1</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABC Bank Reserve Fund</td>
<td>$1,482,712</td>
<td>$1,573,696</td>
</tr>
<tr>
<td>ABC Bank Growth and Income Fund</td>
<td>2,538,366</td>
<td>2,100,286</td>
</tr>
<tr>
<td>ABC Bank Stable Fund</td>
<td>2,273,506</td>
<td>2,286,188</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investment Income:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends</td>
<td>235,036</td>
<td>176,480</td>
</tr>
<tr>
<td>Interest</td>
<td>168,680</td>
<td>172,124</td>
</tr>
<tr>
<td>Net appreciation (depreciation)</td>
<td>467,154</td>
<td>(125,212)</td>
</tr>
</tbody>
</table>

in fair value of Investments

All investment balances and investment income information in the supplemental schedules and Note Y except participant loan balances and activity.
Note X: Unaudited Information

The following is a summary of the unaudited information regarding the Plan, included in the Plan's financial statements, that was prepared by or derived from information prepared by ABC Bank and furnished to the plan administrator. The plan administrator has obtained certifications from the custodian that the information is complete and accurate as of June 30, 19X2 and 19X1:

<table>
<thead>
<tr>
<th></th>
<th>19X2</th>
<th>19X1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments—Value of interest in Pooled Separate Accounts</td>
<td>$9,465,570</td>
<td>$8,537,038</td>
</tr>
</tbody>
</table>

Statements of changes in net assets available for benefits:

<table>
<thead>
<tr>
<th></th>
<th>19X2</th>
<th>19X1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net investment gain from Pooled Separate Accounts</td>
<td>1,186,434</td>
<td>596,712</td>
</tr>
</tbody>
</table>

All information included in Note X.

Supplemental Schedule—all information included in the schedule

Note X: Investments

The Plan administrator has elected the method of compliance permitted by 29 CFR 2520.103-8 of the Department of Labor Rules and Regulations for Reporting and Disclosure under ERISA. Accordingly, as permitted under such election, the following information was certified by the Insurance Company and was not subjected to any auditing procedures performed by the independent public accountants:

a. Total investments as shown in the accompanying statements of net assets available for benefits of $9,568,326 as of December 31, 19X2, and $4,431,808 as of December 31, 19X1.

b. Net investment earnings as shown in the accompanying statement of changes in net assets available for benefits of $105,622 for the year ended December 31, 19X2.

The fair values of individual investments that represent 5 percent or more of the Plan's net assets as of December 31 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>19X2</th>
<th>19X1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guaranteed investment account</td>
<td>$2,184,846</td>
<td>$ 990,396</td>
</tr>
<tr>
<td>U.S. equity account</td>
<td>2,830,554</td>
<td>1,440,492</td>
</tr>
<tr>
<td>Bond and mortgage account</td>
<td>1,420,766</td>
<td>755,016</td>
</tr>
<tr>
<td>International equity account</td>
<td>1,408,862</td>
<td>554,532</td>
</tr>
<tr>
<td>Stock index account</td>
<td>1,007,920</td>
<td>468,976</td>
</tr>
</tbody>
</table>

..............................
Note X: Information Certified by the Plan’s Custodians

The plan administrator has elected the method of compliance permitted by 29 CFR 2520.103-8 of the Department of Labor’s Rules and Regulations for Reporting and Disclosure under ERISA. Accordingly, The Main Financial Group and National Assurance Company of America, the custodians of certain plan assets, have certified to the completeness and accuracy of the retirement investment fund contracts with The Main Financial Group and National Assurance Company of America reflected in the statements of changes in assets available for plan benefits for the years ended December 31, 19X2 and 19X1 and the schedule of assets held for investment purposes as of December 31, 19X2 and related investment activity reflected in the statements of changes in assets available for plan benefits for the years ended December 31, 19X2 and 19X1. Included in the statement of changes in assets available for plan benefits for the year ended December 31, 19X2 is net investment income of $117,188 and $63,836 which was certified by The Main Financial Group and National Assurance Company of America, respectively.

Note X: Information Certified by the Trustee

The plan administrator has elected the method of compliance as permitted by 29 CFR 2520.103-8 of the Department of Labor’s Rules and Regulations for Reporting and Disclosure under ERISA. Accordingly, as permitted under such election, the plan administrator instructed the Plan’s independent auditors not to perform any auditing procedures with respect to the following information certified by ABC Bank, the trustee of the Plan, as complete and accurate, except for comparing such information certified by the trustee to information included in the Plan’s financial statements and supplemental schedules:

(a) Investments held and certified to by ABC Bank:

<table>
<thead>
<tr>
<th>December 31,</th>
<th>19X2</th>
<th>19X1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guaranteed investment fund</td>
<td>$230,522</td>
<td>$217,238</td>
</tr>
<tr>
<td>Diversified bond fund</td>
<td>8,956,988</td>
<td>7,032,488</td>
</tr>
<tr>
<td>Money market fund</td>
<td>173,470</td>
<td>1,014,596</td>
</tr>
<tr>
<td>Growth stock fund</td>
<td>12,510</td>
<td>9,426</td>
</tr>
<tr>
<td>Indexed stock fund</td>
<td>12,710</td>
<td>9,352</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$9,386,200</strong></td>
<td><strong>$8,283,100</strong></td>
</tr>
</tbody>
</table>
(b) Investment income (loss) certified by ABC Bank:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>19X2 Interest Income</th>
<th>19X2 Net (depreciation) appreciation in fair value</th>
<th>19X1 Interest Income</th>
<th>19X1 Net (depreciation) appreciation in fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guaranteed investment fund</td>
<td>$12,108</td>
<td>$</td>
<td>$12,120</td>
<td>$(18,888)</td>
</tr>
<tr>
<td>Diversified bond fund</td>
<td></td>
<td>1,242,404</td>
<td></td>
<td>(211,232)</td>
</tr>
<tr>
<td>Money market fund</td>
<td></td>
<td>56,958</td>
<td></td>
<td>36,014</td>
</tr>
<tr>
<td>Growth stock fund</td>
<td></td>
<td>3,084</td>
<td></td>
<td>8,778</td>
</tr>
<tr>
<td>Indexed stock fund</td>
<td></td>
<td>3,358</td>
<td></td>
<td>9,352</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$12,108</td>
<td>$1,305,804</td>
<td>$12,120</td>
<td>$(175,976)</td>
</tr>
</tbody>
</table>

---

**Note X: Information Certified by Trustee and Custodian**

National and Prosperity have certified to the completeness and accuracy of the investments (guaranteed investment accounts and shares in registered investment companies) as presented below and on the accompanying statement of assets available for benefits and schedule of assets held for investment purposes as of December 31, 19X2 and the related 19X2 investment income and participant interfund transfers as presented below and on the accompanying statement of changes in assets available for benefits for the year. National has also certified to the completeness and accuracy of the information provided, with respect to the investments certified by National, on the accompanying schedule of reportable transactions.

Investment income and interfund transfers certified at December 31, 19X2:

<table>
<thead>
<tr>
<th>401(k) investments</th>
<th>Net Investment Income</th>
<th>Interfund Transfers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prosperity Guaranteed Long-Term Account</td>
<td>$267,346</td>
<td>$273,996</td>
</tr>
<tr>
<td>XYZ Worldwide Fund</td>
<td>22,338</td>
<td>365,002</td>
</tr>
<tr>
<td>ABC Guardian Trust Fund</td>
<td>7,396</td>
<td>1,410,892</td>
</tr>
<tr>
<td>ABC Income and Growth Fund</td>
<td>18,774</td>
<td>591,190</td>
</tr>
<tr>
<td>ABC Index Fund</td>
<td>18,670</td>
<td>473,676</td>
</tr>
<tr>
<td>ABC Capital Preservation Fund</td>
<td>2,338</td>
<td>386,438</td>
</tr>
</tbody>
</table>

(continued)
Chapter 5: Limited Scope Audit Disclosures and Auditor’s Reports

<table>
<thead>
<tr>
<th>Net Investment Income</th>
<th>Interfund Transfers</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABC New Fund</td>
<td>21,480</td>
</tr>
<tr>
<td>ABC Government Money Market Fund</td>
<td>8,466</td>
</tr>
</tbody>
</table>

**Profit sharing plan investments**

Prosperity Guaranteed Long-Term Account $21,120

Investments certified at December 31, 19X2:

401(k) investments:

- Prosperity Guaranteed Long-Term Account $4,553,118
- ABC Capital Preservation Fund 430,896
- ABC New Fund 623,256
- ABC Index Fund 497,618
- ABC Guardian Trust Fund 1,507,672
- XYZ Worldwide Fund 410,070
- ABC Government Money Market Fund 1,683,876
- ABC Income and Growth Fund 711,818

Profit sharing plan investments:

- Prosperity Guaranteed Long-Term Account $316,758

[The following disclosure is appropriate when all investments and related investment income of the plan are certified.]

**Note X: Information Certified by the Plan’s Trustee**

The plan administrator has elected the method of compliance permitted by 29 CFR 2520.103-8 of the Department of Labor’s Rules and Regulations for Reporting and Disclosure under ERISA. Accordingly, ABC Bank, the trustee of the Plan, has certified to the completeness and accuracy of all investments reflected on the accompanying statements of assets available for pension benefits as of June 30, 19X2 and 19X1 and the schedule of assets held for investment purposes as of June 30, 19X2, the related investment activity reflected in the statements of changes in assets available for pension benefits for the years ended June 30, 19X2 and 19X1, and the information reflected on the schedule of reportable transactions for the year ended June 30, 19X2.

**Note X: Information Certified by the Plan’s Custodian**

The plan administrator has elected the method of compliance as permitted by 29 CFR 2520.103-8 of the Department of Labor’s Rules and Regulations for Reporting and Disclosure under ERISA. Accordingly, as permitted under such
election, the plan administrator instructed the Plan’s independent auditors not to perform any auditing procedures with respect to the following information certified by ABC Bank, except for comparing, such information certified by the custodian to information included in the Plan’s financial statements and supplemental schedule of assets held for investment purposes:

<table>
<thead>
<tr>
<th>Investments</th>
<th>December 31, 19X1</th>
<th>December 31, 19X0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment contract with Insurance Company</td>
<td>$1,000,000</td>
<td>$ 890,000</td>
</tr>
<tr>
<td>Corporate bonds and debentures</td>
<td>3,500,000</td>
<td>3,670,000</td>
</tr>
<tr>
<td>U.S. Government securities</td>
<td>350,000</td>
<td>270,000</td>
</tr>
<tr>
<td>Mortgages</td>
<td>480,000</td>
<td>460,000</td>
</tr>
<tr>
<td></td>
<td><strong>$5,330,000</strong></td>
<td><strong>$5,290,000</strong></td>
</tr>
</tbody>
</table>

The custodian also certified to the completeness and accuracy of $110,000 and $290,000 of net appreciation in fair value of investments and $195,000 and $75,000 of interest income related to the aforementioned investments for the year ended December 31, 19X1 and 19X0, respectively.

.................................
AUDITOR'S REPORTS:

1. LIMITED SCOPE AUDIT REPORTS

Standard Report:

Independent Auditors' Report

[Addressee]

We were engaged to audit the financial statements and supplemental schedules of XYZ Pension Plan as of December 31, 19X1 and 19X0, and for the year ended December 31, 19X1, as listed in the accompanying index. These financial statements and schedules are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note X, which was certified by ABC Bank, the trustee (or custodian) of the Plan, except for comparing such information with the related information included in the financial statements and supplemental schedules. We have been informed by the plan administrator that the trustee (or custodian) holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the trustee (or custodian) as of and for the years ended December 31, 19X1 (and 19X2), that the information provided to the plan administrator by the trustee (or custodian) is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and schedules taken as a whole. The form and content of the information included in the financial statements and schedules, other than that derived from the information certified by the trustee or custodian, have been audited by us in accordance with generally accepted auditing standards and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

[Signature of Firm]

[City and State]

[Date] .................
Limited-Scope Audit in Prior Year:

The following illustrates a report on comparative financial statements of a 401(k) plan when the plan administrator elects not to limit the scope of the audit in the current year even though the scope of the audit in the prior year was limited in accordance with DOL regulations.

Independent Auditors’ Report

[Addressee]

We have audited the accompanying statements of net assets available for benefits of XYZ Company 401(k) Plan as of December 31, 19X2 and 19X1, and the related statement of changes in net assets available for benefits for the year ended December 31, 19X2. These financial statements are the responsibility of the Plan’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as explained in the following paragraph, we conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As permitted by 29 CFR 2520.103-8 of the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, investment assets held by ABC Bank, the trustee of the Plan, and transactions in those assets were excluded from the scope of our audit of the Plan’s 19X1 financial statements, except for comparing the information provided by the trustee, which is summarized in Note X, with the related information included in the financial statements.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the Plan’s financial statements as of December 31, 19X1. The form and content of the information included in the 19X1 financial statements, other than that derived from the information certified by the trustee, have been audited by us and, in our opinion, are presented in compliance with the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

In our opinion, the financial statements, referred to above, of XYZ Company 401(k) Plan as of December 31, 19X2, and for the year then ended present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 19X2, and the changes in net assets available for benefits for the year then ended in conformity with generally accepted accounting principles.

Our audit of the Plan’s financial statements as of and for the year ended December 31, 19X2, was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedules of [identify]
are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan’s management. The supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended December 31, 19X2, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

[Signature of Firm]

[City and State]

[Date]

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Limited-Scope Audit in Current Year:

The following illustrates a report on comparative financial statements of a 401(k) plan when the plan administrator elects to exclude from the auditor’s examination plan assets held by banks or insurance companies in the current year, whereas the scope of the audit in the prior year was unrestricted.

Independent Auditors’ Report

[Addressee]

We were engaged to audit the accompanying statement of net assets available for benefits of XYZ Company 401(k) Plan as of December 31, 19X2 and 19X1, and the related statement of changes in net assets available for benefits for the year ended December 31, 19X2 and the supplemental schedules of (1) assets held for investment purposes, (2) transactions in excess of 5 percent of the current value of plan assets, and (3) investments in loans and fixed income obligations in default or classified as uncollectible as of or for the year ended December 31, 19X2. These financial statements and supplemental schedules are the responsibility of the Plan’s management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note X, which was certified by ABC Bank, the trustee of the Plan, except for comparing the information with the related information included in the 19X2 financial statements and the supplemental schedules. We have been informed by the plan administrator that the trustee holds the Plan’s investment assets and executes investment transactions. The plan administrator has obtained a certification from the trustee as of and for the year ended December 31, 19X2, that the information provided to the plan administrator by the trustee is complete and accurate.
Because of the significance of the information in the Plan’s 19X2 financial statements that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and supplemental schedules as of or for the year ended December 31, 19X2. The form and content of the information included in the financial statements and supplemental schedules, other than that derived from the information certified by the trustee, have been audited by us in accordance with generally accepted auditing standards and, in our opinion, are presented in compliance with the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

We have audited the statement of net assets available for benefits of XYZ Company 401(k) Plan as of December 31, 19X1, and in our report dated May 20, 19X2, we expressed our opinion that such financial statement presents fairly, in all material respects, the net assets available for benefits of XYZ Company 401(k) Plan as of December 31, 19X1, in conformity with generally accepted accounting principles.

[Signature of Firm]

[City and State]

[Date]

__________________________

[Date]

Modified Report—Omitted Information or Omitted Schedule Required Under DOL Regulations in a Limited Scope Engagement:

In the following illustration, the schedule of assets held for investment purposes which accompanies the Plan’s financial statements does not disclose that the Plan has loans to participants. Because the omitted participant loan information is information that is not certified by the trustee or custodian, an omission of participant loan information would require that a qualified or adverse opinion be issued on the applicable supplemental schedules.

Independent Auditors’ Report

[Addressee]

[Same first and second paragraphs as the limited-scope report.]

The schedule of assets held for investment purposes that accompanies the Plan’s financial statements does not disclose that the Plan has loans to participants which are considered assets held for investment purposes. Disclosure of this information is required by the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and schedules taken as a whole. The form and content of the information included in the financial statements and schedules, other than that derived from the information certified by the trustee, have been audited by us in accordance with
generally accepted auditing standards and, in our opinion, except for the omission of the information discussed in the preceding paragraph, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

[Signature of Firm]

[City and State]

[Date]

Or

In the following illustration, the Plan has not presented the schedule of reportable transactions. Because the schedule of reportable transactions is information that is certified by the trustee or custodian, an omission of the schedule would require that an explanatory paragraph be added to the auditor's report.

Independent Auditors' Report

[Addressee]

[Same first, second, and third paragraphs as the limited-scope report.]

The Plan has not presented the schedule of reportable transactions (transactions in excess of 5 percent of the current value of plan assets at the beginning of the year). Disclosure of this information is required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

[Signature of Firm]

[City and State]

[Date]

The following illustrates a limited-scope audit in the current year with a comparative statement of assets compiled. Cost information is missing from the supplemental schedules.

Independent Auditors' Report

The Trustees
Pictures Inc. Savings and Investment Plan:

We were engaged to audit the financial statements and supplemental schedules of Pictures, Inc. Savings and Investment Plan (Plan) as of and for the year ended December 31, 19X2, as listed in the accompanying index. These financial statements and supplemental schedules are the responsibility of the Plan's management.
As permitted by Section 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in note X, which was certified by National Insurance Company, the custodian of the Plan, except for comparing such information with the related information included in the financial statements and supplemental schedules. We have been informed by the plan administrator that the custodian holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the custodian as of and for the year ended December 31, 19X2, that the information provided to the plan administrator by the custodian is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and schedules taken as a whole. The form and content of the information included in the financial statements and schedules, other than that derived from the information certified by the custodian, have been audited by us in accordance with generally accepted auditing standards and, in our opinion, is presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

The supplemental schedule of assets held for investment purposes that accompanies the Plan's financial statements does not disclose the historical costs of assets held for investment purposes. Disclosure of this information is required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

We have compiled the accompanying statement of assets available for benefits as of December 31, 19X1, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying statement of assets available for benefits and, accordingly, do not express an opinion or any other form of assurance on them.

[Name of Firm]

[City and State]

[Date]
Modified Cash Basis of Accounting

The financial statements and supplemental schedules were prepared on a modified cash basis of accounting.

Report of Independent Public Accountants

To the Administrative Committee of the Pension Plan of XYZ Corporation

We were engaged to audit the accompanying financial statements and supplemental schedules of the Pension Plan of XYZ Corporation (the Plan) as of and for the years ended December 31, 19X2 and 19X1, and January 1, 19X2, as listed in the accompanying index. These financial statements and schedules are the responsibility of the Plan’s management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note X, which was certified by ABC Bank, the trustee of the Plan, except for comparing such information with the related information included in the 19X2 and 19X1 financial statements and supplemental schedules. We have been informed by the plan administrator that the trustee holds the Plan’s investment assets and executes investment transactions. The plan administrator has obtained a certification from the trustee as of December 31, 19X2 and 19X1, and for the years then ended, that the information provided to the plan administrator by the trustee is complete and accurate.

As described in Note Y, these financial statements and supplemental schedules were prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and schedules taken as a whole. The form and content of the information included in the financial statements and schedules, other than that derived from the information certified by the trustee, have been audited by us in accordance with generally accepted auditing standards, and, in our opinion, are presented in compliance with the Department of Labor Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

[Signature of Firm]

[City and State]

[Date]

..........................
Plan Merger

Report of Independent Public Accountants

To the Compensation Committee of
Lucky Company

We were engaged to audit the accompanying financial statements and supplemental schedules of the Lucky Company Employee Savings Plan as of January 31, 19X2 and December 31, 19X1 and 19X0, and for the thirty-one day period ended January 31, 19X2 and for the year ended December 31, 19X1, as listed in the accompanying index. These financial statements and schedules are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note X, which was certified by ABC Bank, the trustee of the Plan, except for comparing such information with the related information included in the 19X2, 19X1, and 19X0 financial statements and supplemental schedules. We have been informed by the plan administrator that the trustee holds the Plan’s investment assets and executes investment transactions. The plan administrator has obtained a certification from the trustee for the thirty-one day period ended January 31, 19X2 and for the years ended December 31, 19X1 and 19X0, that the information provided to the plan administrator by the trustee is complete and accurate.

As further discussed in Note Y, the Plan was merged into the Lucky Company Deferred Compensation Plan effective January 31, 19X2.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and schedules taken as a whole. The form and content of the information included in the financial statements and schedules, other than that derived from the information certified by the trustee, have been audited by us in accordance with generally accepted auditing standards and, in our opinion, are presented in compliance with the Department of Labor Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

[Signature of Firm]

[City and State]

[Date]
Significant Event and Departure From GAAP

Report of Independent Public Accountants

To the Administrative Committee of the XYZ Company 401(k) Plan and Trust

We were engaged to audit the accompanying financial statements and supplemental schedules of XYZ Company 401(k) Plan and Trust (the Plan) as of December 31, 19X2 and 19X1, and for the year ended December 31, 19X2, as listed in the accompanying table of contents. These financial statements and schedules are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note X, which was certified by ABC Bank, the asset custodian of the Plan, except for comparing such information with the related information included in the 19X2 and 19X1 financial statements and supplemental schedules. We have been informed by the plan administrator that the asset custodian holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the asset custodian as of December 31, 19X2 and 19X1, and for the year ended December 31, 19X2, that the information provided to the plan administrator by the asset custodian is complete and accurate.

As further discussed in Note Y to the financial statements, as a result of the acquisition and subsequent merger of the Company, it is likely that the Plan will be merged into a related plan.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and schedules taken as a whole. The form and content of the information included in the financial statements and schedules, other than that derived from the information certified by the asset custodian, have been audited by us in accordance with generally accepted auditing standards and, in our opinion, are presented in compliance with the Department of Labor Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Generally accepted accounting principles require that amounts relating to participant-directed investment programs be disclosed as separate funds; however, this information has been reported in the aggregate.

[Signature of Firm]

[City and State]

[Date]

""
Plan Termination

The following illustrates a limited-scope audit report of a terminated plan.

Report of Independent Public Accountants

To the Advisory Committee of
Sample Company Pension Plan:

We were engaged to audit the accompanying financial statements and supplemental schedules of Sample Company Pension Plan as of March 31, 19X2 and 19X1, and for the year ended March 31, 19X2, as listed in the accompanying index. These financial statements and schedules are the responsibility of the Plan’s management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note X, which was certified by ABC Bank, the trustee of the Plan, except for comparing such information with the related information included in the financial statements and supplemental schedules. We have been informed by the plan administrator that the trustee holds the Plan’s investment assets and executes investment transactions. The plan administrator has obtained a certification from the trustee as of March 31, 19X2 and 19X1, and for the year ended March 31, 19X2, that the information provided to the plan administrator by the trustee is complete and accurate.

As further discussed in Note Y, the Company’s Board of Directors elected to terminate the Plan effective December 31, 19X1.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and schedules taken as a whole. The form and content of the information included in the financial statements and schedules, other than that derived from the information certified by the trustee, have been audited by us in accordance with generally accepted auditing standards and, in our opinion, are presented in compliance with the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

[Signature of Firm]

[City and State]

[Date]
2. PRIOR YEAR AUDITED BY ANOTHER FIRM

The following illustrates a full scope audit in the current year, limited scope in the prior year with reference made to the report of prior auditor.

Independent Auditor’s Report

To the Cookie Company
Savings and Investment Plan
and Participants:

We have audited the accompanying statement of net assets available for benefits of the Cookie Company Savings and Investment Plan as of December 31, 19X2, and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan’s management. Our responsibility is to express an opinion on these financial statements based on our audit. Other auditors, who were engaged to audit the financial statements for the year ended December 31, 19X1, and whose report is dated May 21, 19X2, disclaimed an opinion on the 19X1 financial statements as permitted by 29 CFR 2520.103-8 of the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits as of December 31, 19X2, and the changes in net assets available for benefits for the year then ended in conformity with generally accepted accounting principles.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of (1) assets held for investment purposes as of December 31, 19X2 and (2) schedule of reportable transactions for the year ended December 31, 19X2 are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedules are the responsibility of the Plan’s management. Such supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.
The following illustrates a limited scope audit in the current and prior year with reference made to the report of the prior auditor.

Independent Auditors’ Report

To the Retirement Plan for Salaried Employees of Epsilon Corporation and Participants:

We were engaged to audit the financial statements and supplemental schedule of the Retirement Plan for Salaried Employees of Epsilon Corporation as of June 30, 19X2, and for the year then ended, listed in the accompanying Table of Contents. These financial statements and supplemental schedule are the responsibility of the Plan’s management. Other auditors were engaged to audit the financial statements of the Plan for the year ended June 30, 19X1, whose report dated October 15, 19X1 disclaimed an opinion on the 19X1 financial statements for the same reasons described in the following paragraph.

As permitted by Section 2520.103-8 of the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note X, which was certified by the custodian of the Plan, except for comparing such information with the related information included in the 19X2 financial statements and supplemental schedule. We have been informed by the plan administrator that the custodian holds the Plan’s investment assets and executes investment transactions. The plan administrator has obtained certifications from the custodian as of and for the year ended June 30, 19X2 that the information provided to the plan administrator by the custodian is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to express, and do not express an opinion on the accompanying financial statements and supplemental schedule as of and for the year ended June 30, 19X2. The form and content of the information included in the 19X2 financial statements and supplemental schedule, other than that derived from the information certified by the custodian, have been audited by us in accordance with generally accepted auditing standards, and in our opinion, are presented in compliance with the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

[Signature of Firm]

[City and State]

[Date]
CHAPTER 6: Independent Auditor’s Reports

1. UNQUALIFIED OPINIONS


Independent Auditors’ Report

[Addressee]

We have audited the accompanying statements of net assets available for benefits of XYZ Company Profit-Sharing Plan as of December 31, 19X1 and 19X0, and the related statement of changes in net assets available for benefits for the year ended December 31, 19X1. These financial statements are the responsibility of the Plan’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 19X1 and 19X0, and the changes in net assets available for benefits for the year ended December 31, 19X1 in conformity with generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of [identify] are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan’s management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.¹

¹ This paragraph on the supplemental schedules required by ERISA and DOL regulations may also be shown separately in the auditor-submitted document.
Terminated Plan

Report of Independent Public Accountants

To the Trustees of the GHI Company Pension Plan:

We have audited the accompanying statements of net assets available for plan benefits of the GHI Company Pension Plan as of February 5, 19X2 and March 31, 19X1, and the related statement of changes in net assets available for plan benefits for the period ended February 5, 19X2. These financial statements and the schedule referred to below are the responsibility of the Plan's trustee. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits of the GHI Company Pension Plan as of February 5, 19X2 and March 31, 19X1, and the changes in its net assets available for plan benefits for the period ended February 5, 19X2 in conformity with generally accepted accounting principles.

As discussed in Note Y to the accompanying financial statements, the Plan has been terminated and all assets of the Plan have been distributed. In accordance with generally accepted accounting principles, the financial statements are presented on the liquidation basis of accounting.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of reportable transactions is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our
opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

[Signature of Firm]

[City and State]

[Date]

2. SUPPLEMENTAL SCHEDULES

The following are illustrations of paragraphs that should be added to the auditor’s report when the auditor should modify his or her report on the supplemental schedules because of omitted information or an omitted schedule which is required under DOL regulations.

[Guide, par. 13.16]

Modified Report—Omitted Information or Omitted Schedule Required Under DOL Regulations:

Independent Auditors’ Report

[Addressee]

[Same first, second, and third paragraphs as the standard report.]

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedules of [identify] are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by the Department of Labor’s Rules and Regulations of Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan’s management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The schedule of assets held for investment purposes that accompanies the Plan’s financial statements does not disclose the historical cost of certain plan assets held by the Plan trustee. Disclosure of this information is required by the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Or

The Plan has not presented the schedule of reportable transactions (transactions in excess of 5 percent of the current value of plan assets at the beginning of the year). Disclosure of this information is required by the Department of
Financial Statement Reporting and Disclosure Practices for Employee Benefit Plans


[Signature of Firm]

[City and State]

[Date]

Qualified Opinion—Omitted or Incomplete Schedule or Material Inconsistency:

The following paragraphs should be added to the auditor's report when the auditor concludes that his or her opinion on the supplemental schedules should be qualified because a schedule, or information thereon, was omitted (when the schedules are not covered by a trustee's certification as to completeness and accuracy), or because information in a required schedule is materially inconsistent with the financial statements.

Independent Auditors' Report

[Addressee]

[Same first, second, and third paragraphs as the standard report.]

The schedule of assets held for investment purposes that accompanies the Plan's financial statements does not disclose that the Plan had loans to participants which are considered assets held for investment purposes. Disclosure of this information is required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedules of [identify] are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, except for the omission of the information discussed in the preceding paragraph, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

[Signature of Firm]

[City and State]

[Date]

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3. **Prohibited Transactions**

The following illustrates an auditor’s report on the plan’s financial statements when the auditor concludes that the plan has entered into a prohibited transaction with a party in interest that is also considered a related party transaction and (1) is material to the financial statements, (2) the transaction has not been properly disclosed in the notes to the financial statements and the supplemental schedule, and (3) the auditor should express a qualified opinion on the financial statements and supplemental schedule.

**Qualified Opinion—Disclosure of Material Prohibited Transaction with Party-in-Interest Omitted**

*Independent Auditors’ Report*

[Addressee]

We have audited the accompanying statements of net assets available for benefits of XYZ Company Profit-Sharing Plan as of December 31, 19X1 and 19X0, and the related statement of changes in net assets available for benefits for the year ended December 31, 19X1. These financial statements are the responsibility of the Plan’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The Plan’s financial statements do not disclose that the Plan [describe related-party transaction]. Disclosure of this information is required by generally accepted accounting principles.

In our opinion, except for the omission of the information discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 19X1 and 19X0, and the changes in net assets available for benefits for the year ended December 31, 19X1 in conformity with generally accepted accounting principles.

The schedule of prohibited transactions that accompanies the plan’s financial statements does not disclose that the plan [describe prohibited transaction]. Disclosure of this information is required by the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.
Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedules of [identify] are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan’s management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, except for the omission of the information discussed in the preceding paragraph, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

[Signature of Firm]

[City and State]

[Date]

Adverse Opinion—Disclosure of Material Prohibited Transaction with Party-in-Interest Omitted

The following illustrates and auditor’s report when the auditor decides that an adverse opinion should be expressed on the supplemental schedules because disclosure of a material prohibited transaction with a party in interest is omitted. [Guide, par. 13.18]

Independent Auditors’ Report

[Addressee]

[Same first, second, and third paragraphs as the standard report.]

The schedule of prohibited transactions that accompanies the plan’s financial statements does not disclose that the Plan [describe prohibited transaction]. Disclosure of this information is required by the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedules of [identify] are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan’s management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, because of the omission of the information discussed in the preceding paragraph are not fairly stated in all material respects in relation to the basic financial statements taken as a whole.
Chapter 6: Independent Auditor's Reports

[Signature of Firm]

[City and State]

[Date]


The following paragraphs should be added to the auditor's report on the plan's financial statements when the auditor decides to modify his or her report on the supplemental schedules because disclosure of a prohibited transaction with a party in interest that is not material to the financial statements has been omitted. [Guide, par. 13.18]

Independent Auditors' Report

[Addressee]

[Same first, second, and third paragraphs as the standard report.]

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedules of [identify] are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The schedule of prohibited transactions that accompanies the plan's financial statements does not disclose that the Plan [describe prohibited transaction]. Disclosure of this information, which is not considered material to the financial statements taken as a whole, is required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

[Signature of Firm]

[City and State]

[Date]
4. GOING CONCERN

Independent Auditors’ Report

The Administrative Committee, Dagobar Incorporated Past Services Defined Benefit Plan:

We have audited the accompanying financial statements of the Dagobar Incorporated Past Services Defined Benefit Plan as of December 31, 19X2 and 19X1 and for the years then ended listed in the foregoing table of contents. These financial statements and the supplemental schedules discussed below are the responsibility of the Plan’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements referred to above present fairly, in all material respects, the financial status of the Plan at December 31, 19X1 and the changes in its financial status for the year then ended, and the information regarding the Plan’s net assets available for benefits as of December 31, 19X2 and the changes therein for the year then ended, in conformity with generally accepted accounting principles.

As discussed in Note X to the financial statements, Dagobar Incorporated (the Plan sponsor) has filed for reorganization under the protection of Chapter 11 of the Federal Bankruptcy Code and, at December 31, 19X2, the Plan’s net assets available for benefits were less than the actuarial present value of accumulated Plan benefits. As a result of the Plan sponsor’s bankruptcy filing, the continuation of the Plan is uncertain. The financial statements do not include any adjustments that might result from this uncertainty.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules for 19X2, listed in the foregoing table of contents, are presented for purposes of complying with the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 and are not a required part of the basic financial statements. Such supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic 19X2 financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.
The following illustrates an auditor’s report when the auditor concludes that there is substantial doubt about the plan’s ability to continue as a going concern. In addition, the schedule of reportable transactions has been omitted and the schedule of assets held for investment purposes does not disclose historical cost.

Independent Auditors’ Report

To the Trustees of DEF Hospital Employees’ Pension Plan:

We have audited the accompanying statements of assets available for plan benefits of DEF Hospital Employees’ Pension Plan (the Plan) as of December 31, 19X2 and 19X1, and the related statements of changes in assets available for plan benefits for the years then ended. These financial statements are the responsibility of the Plan’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets available for plan benefits of DEF Hospital Employees’ Pension Plan as of December 31, 19X2 and 19X1, and the changes in assets available for plan benefits for the years then ended, in conformity with generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets held for investment purposes is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The fund information in the statements of net assets available for plan benefits and the statements of changes in net assets available for plan benefits is presented for purposes of additional analysis rather than to present the net assets available for plan benefits and changes in net assets available for plan benefits of each fund. The supplemental schedule and Fund Information
have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements and supplemental schedule has been prepared assuming that DEF Hospital (Hospital), the Plan's sponsor, will continue as a going concern. Our report on the December 31, 19X2 financial statements of the Hospital was issued under the date of April 5, 19X3 and stated that the Hospital's recurring losses from operations and a partners' deficit raise substantial doubt about the Hospital's ability to continue as a going concern. On December 23, 19X0 the Hospital filed a petition for relief under Chapter 11 of the federal bankruptcy laws in the United States Bankruptcy Court of the Eastern District of New York. The uncertainty regarding the Hospital's ability to continue as a going concern raises substantial doubt about the Plan's continuation. Should the Plan be terminated, the terms discussed in Note X(e) would be applicable. The financial statements and supplemental schedule do not include any adjustments that might result from the outcome of this uncertainty.

The schedule of assets held for investment purposes that accompanies the Plan's financial statements does not disclose the historical cost of certain plan assets held by the Plan custodian. Disclosure of this information is required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

The Plan has not presented the schedule of reportable transactions (transaction or series of transactions in excess of 5 percent of the current value of plan assets at the beginning of the year). Disclosure of this information is required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

[Signature of Firm]

[City, State]

[Date]

5. PRIOR YEAR AUDITED BY ANOTHER FIRM

Reference Made to Report of Prior Auditor—Prior Year and Current Year are Full Scope:

Independent Auditors' Report

To the Trustee of Alpha
Inc. Profit Sharing Plan

We have audited the accompanying statement of net assets available for plan benefits of Alpha Incorporated Profit Sharing Plan and Trust as of December 31, 19X2 and the related statement of changes in net assets available for plan benefits. 
benefits for the year then ended. These financial statements are the responsibility of the Trustee and Plan Administrator of the Alpha Incorporated Profit Sharing Plan and Trust. Our responsibility is to express an opinion on these financial statements based upon our audit. The financial statements of Alpha Incorporated Profit Sharing Plan and Trust as of December 31, 19X1 were audited by other auditors whose report dated May 15, 19X2 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits as of December 31, 19X2 and the changes in net assets available for plan benefits for the year then ended in conformity with generally accepted accounting principles.

[Signature of Firm]

[City, State]

[Date]

6. INITIAL AUDITS

Independent Auditors’ Report

To the Twinkle Company Savings Plan for Certain Eligible Employees and Participants:

We have audited, by fund and in total, the accompanying statement of net assets available for benefits and related statement of changes in net assets available for benefits of the Twinkle Company Savings Plan for Certain Eligible Employees (the "Plan") as of December 31, 19X2, and for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by
management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, by fund and in total, in all material respects, the net assets available for benefits of the Plan as of December 31, 19X2, and the changes in net assets available for benefits for the year then ended in conformity with generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of (1) assets held for investment purposes as of December 31, 19X2, and (2) reportable transactions for the year ended December 31, 19X2, are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These schedules are the responsibility of the Plan's management. Such schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

______________________________
[Signature of Firm]

______________________________
[City and State]

______________________________
[Date]

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Independent Auditors' Report

To the Star Corporation Investment Committee:

We have audited the accompanying statement of net assets available for plan benefits of the Star Corporation Employees' Savings and Profit-Sharing Plan as of December 31, 19X2 and the related statement of changes in net assets available for plan benefits for the period from June 15, 19X2 (inception) to December 31, 19X2. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits of the Plan at
December 31, 19X2, and the changes in its net assets available for plan benefits for the period from June 15, 19X2 (inception) to December 31, 19X2, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedules of assets held for investment purposes as of December 31, 19X2, and reportable transactions for the period from June 15, 19X2 (inception) to December 31, 19X2, are presented for purposes complying with the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, and are not a required part of the financial statements. These supplemental schedules are the responsibility of the Plan’s management. The supplemental schedules have been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

[Signature of Firm]

[City and State]

[Date]

7. Adverse Opinion—SOP 92-6

The following presents an illustration of an auditor’s adverse opinion (with disclaimer of opinion on accompanying supplemental schedules required by ERISA2) in a full scope audit of a health and welfare benefit plan when the auditor concludes that the plan’s financial statements taken as a whole are not fairly presented in accordance with GAAP because the financial statements do not present the postretirement benefit obligations in accordance with SOP 92-6. [May 1997, The CPA Letter, Department of Labor Takes a Nonenforcement Position on SOP 92-6.]

Independent Auditor’s Report

[Addressee]

We have audited the accompanying financial statements and supplemental schedules of ABC Multiemployer Health and Welfare Plan as of December 31, 19X2 and 19X1, and for the year ended December 31, 19X2, as listed in the accompanying index. These financial statements and schedules are the respon-

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2 AU Section 551.10 of the AICPA Professional Standards (vol.1) states that when the auditor expresses an adverse opinion or disclaims an opinion on the basic financial statements, he or she should not express an opinion on any accompanying supplemental information. An expression of an opinion in these circumstances would be inappropriate because, like a piecemeal opinion, it may tend to overshadow or contradict the adverse opinion or disclaimer of opinion on the basic financial statements.
sibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note X to the financial statements, the Plan's financial statements do not present the plan's obligations to provide health and welfare benefits to participants after retirement (postretirement benefit obligations). Generally accepted accounting principles require that a plan's statement of benefit obligations and statement of changes in benefit obligations include the postretirement benefit obligations.

The Plan administrator has not quantified the amount of, or change in, the Plan's postretirement benefit obligation, and in the absence of an actuarial determination, such amounts are not reasonably determinable. However, the effects of the omission of the postretirement benefit obligation information on the Plan's financial statements are presumed to be material.

In our opinion, because of the effects of the matters discussed in the preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with generally accepted accounting principles, the financial status of the Plan as of December 31, 19X2 and 19X1, and the changes in its financial status for the year ended December 31, 19X2.

The supplemental schedules of [identify] are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. That information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended December 31, 19X2; however, because the basic financial statements are not presented fairly in conformity with generally accepted accounting principles, we do not express an opinion on any of the supplemental schedules.

[Signature of Firm]

[City and State]

[Date]
CHAPTER 7: Illustrative Form 5500 Schedules

1. Line 27a—Schedule of Assets Held for Investment Purposes

**SCHEDULE I**

DEF Holdings, Inc. 401(k) Plan  
Plan Sponsor: DEF Holdings, Inc.  
Plan Sponsor EIN: 55-5555555  
Plan Number: 002

Line 27a—Schedule of Assets Held for Investment Purposes  
as of December 31, 19X2

<table>
<thead>
<tr>
<th>Identity of Issue, Borrower, Lessor, or Similar Party</th>
<th>Description of Investments (No. of Shares)</th>
<th>(d) Cost</th>
<th>(e) Current Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Funds</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash or Cash Equivalents</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>* DEF Dollar Fund</td>
<td>$1,207,358</td>
<td>$1,207,358</td>
<td>$1,207,358</td>
</tr>
<tr>
<td>Fixed Income Investments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>* DEF Strategic Income Fund</td>
<td>60,246</td>
<td>638,496</td>
<td>730,788</td>
</tr>
<tr>
<td>* DEF Government Income Fund</td>
<td>18,678</td>
<td>91,594</td>
<td>164,926</td>
</tr>
<tr>
<td>* DEF High Income Fund</td>
<td>110,232</td>
<td>1,317,904</td>
<td>1,694,282</td>
</tr>
<tr>
<td>Total Fixed Income</td>
<td>2,047,994</td>
<td></td>
<td>2,589,996</td>
</tr>
<tr>
<td>Growth and Income Investments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>* DEF Growth &amp; Income Fund</td>
<td>107,338</td>
<td>642,970</td>
<td>795,368</td>
</tr>
<tr>
<td>Equity Investments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>* DEF New Pacific Growth Fund</td>
<td>127,506</td>
<td>1,601,002</td>
<td>1,677,968</td>
</tr>
<tr>
<td>* DEF Europe Growth Fund</td>
<td>87,142</td>
<td>944,424</td>
<td>1,125,866</td>
</tr>
<tr>
<td>* DEF Japan Growth Fund</td>
<td>34,822</td>
<td>403,966</td>
<td>341,604</td>
</tr>
<tr>
<td>* DEF International Growth Fund</td>
<td>59,024</td>
<td>535,758</td>
<td>531,216</td>
</tr>
<tr>
<td>* DEF America Growth Fund</td>
<td>110,304</td>
<td>2,010,514</td>
<td>2,289,904</td>
</tr>
<tr>
<td>* DEF Worldwide Growth Fund</td>
<td>138,780</td>
<td>2,132,738</td>
<td>2,334,268</td>
</tr>
<tr>
<td>* DEF Health Care Fund</td>
<td>35,646</td>
<td>689,836</td>
<td>875,132</td>
</tr>
<tr>
<td>* DEF Latin America Growth Fund</td>
<td>41,796</td>
<td>724,574</td>
<td>774,056</td>
</tr>
<tr>
<td>* DEF Telecommunications Fund</td>
<td>82,152</td>
<td>1,287,640</td>
<td>1,289,802</td>
</tr>
<tr>
<td>* DEF Emerging Markets Fund</td>
<td>164,872</td>
<td>2,573,790</td>
<td>2,397,228</td>
</tr>
<tr>
<td>* DEF Financial Services Fund</td>
<td>5,592</td>
<td>1,378</td>
<td>77,716</td>
</tr>
<tr>
<td>* DEF Infrastructure Fund</td>
<td>39,658</td>
<td>475,094</td>
<td>583,370</td>
</tr>
<tr>
<td>* DEF Natural Resources Fund</td>
<td>63,648</td>
<td>980,202</td>
<td>1,122,744</td>
</tr>
<tr>
<td>* DEF Consumer Products Fund</td>
<td>61,704</td>
<td>960,046</td>
<td>1,232,238</td>
</tr>
<tr>
<td>* DEF America Value Fund</td>
<td>20,140</td>
<td>274,502</td>
<td>296,448</td>
</tr>
<tr>
<td>* DEF Small Cap Growth Fund</td>
<td>30,758</td>
<td>382,286</td>
<td>386,936</td>
</tr>
<tr>
<td>Bank in Lisbon Bearer Participating Certificates</td>
<td>1,102</td>
<td>566,022</td>
<td>564,676</td>
</tr>
<tr>
<td>Total Equity</td>
<td>16,543,772</td>
<td></td>
<td>17,901,172</td>
</tr>
<tr>
<td>* Participant loans, Interest Rate: 9.75%–10.0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL INVESTMENTS</td>
<td>$21,016,910</td>
<td>$23,068,710</td>
<td></td>
</tr>
</tbody>
</table>

*Represents a party-in-interest to the Plan.
### SCHEDULE I

**AB& C Enterprises**

401(k) Retirement Plan

**EIN:** 55-5555555

**Plan Number:** 001

---

**Line 27a—Schedule of Assets Held for Investment Purposes**

As of December 31, 19X2

<table>
<thead>
<tr>
<th>(a)</th>
<th>(b) Identity</th>
<th>(c) Description of Investment</th>
<th>(d) Cost</th>
<th>(e) Current Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>*</td>
<td>The National Group</td>
<td>133,404 shares of National Fund</td>
<td>2,904,178</td>
<td>3,488,532</td>
</tr>
<tr>
<td>*</td>
<td>The National Group</td>
<td>1,792,072 shares of National Money MarketReserves—Federal Portfolio</td>
<td>1,792,072</td>
<td>1,792,072</td>
</tr>
<tr>
<td>*</td>
<td>The National Group</td>
<td>123,494 shares of National Fixed Income Securities Fund—Short-Term Portfolio</td>
<td>1,324,272</td>
<td>1,327,554</td>
</tr>
<tr>
<td>*</td>
<td>The National Group</td>
<td>51,204 shares of National Index Trust—500 Portfolio</td>
<td>2,570,922</td>
<td>3,541,276</td>
</tr>
<tr>
<td>*</td>
<td>The National Group</td>
<td>50,770 shares of National International Portfolio</td>
<td>1,546,862</td>
<td>1,398,188</td>
</tr>
<tr>
<td>*</td>
<td>The National Group</td>
<td>78,402 shares of National Equity Income Fund</td>
<td>1,121,810</td>
<td>1,436,336</td>
</tr>
<tr>
<td>*</td>
<td>The National Group</td>
<td>81,312 shares of National U.S. Growth Portfolio</td>
<td>1,468,564</td>
<td>1,930,340</td>
</tr>
<tr>
<td>*</td>
<td>The National Group</td>
<td>17,520 shares of National Index Market Portfolio</td>
<td>421,208</td>
<td>458,852</td>
</tr>
<tr>
<td>*</td>
<td>Participant Loans</td>
<td>Interest ranging from 6.5 percent to 7 percent</td>
<td>55,482</td>
<td>55,482</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td><strong>13,205,370</strong></td>
<td><strong>15,428,632</strong></td>
</tr>
</tbody>
</table>

---

*A party-in-interest as defined by ERISA.*
**Sample Company Retirement Plan**

**Line 27a—Schedule for Assets Held for Investment Purposes as of December 31, 19X2**

<table>
<thead>
<tr>
<th>(a)</th>
<th>(b) Identity of Issue, Borrower, Lessor, or Similar Party</th>
<th>(c) Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value</th>
<th>(d) Cost</th>
<th>(e) Current Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>XYZ Trust Fixed Income Fund</td>
<td>Retirement Mutual Fund, 64,500 shares</td>
<td></td>
<td>200,000</td>
<td>300,000</td>
</tr>
<tr>
<td>XYZ Trust Equity Fund</td>
<td>Retirement Mutual Fund, 68,900 shares</td>
<td></td>
<td>400,000</td>
<td>450,000</td>
</tr>
<tr>
<td>XYZ Trust Growth Fund</td>
<td>Retirement Mutual Fund, 48,800 shares</td>
<td></td>
<td>1,100,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>XYZ Cash Fund</td>
<td>Money Market Fund</td>
<td></td>
<td>30,000</td>
<td>30,000</td>
</tr>
<tr>
<td>* Participant Loans</td>
<td>Loans, ranging 0-5 years maturity with interest rates of 7.25% to 9.75%</td>
<td></td>
<td>90,000</td>
<td>90,000</td>
</tr>
<tr>
<td>Federal Government</td>
<td>U.S. Treasury Note; maturity date 12/31/2001; 7.25% interest</td>
<td></td>
<td>400,000</td>
<td>400,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>2,220,000</strong></td>
<td><strong>2,270,000</strong></td>
</tr>
</tbody>
</table>

*A party-in-interest as defined by ERISA.*
### XYZ Savings Program

**EIN:** 55-5555555

**Plan:** 002

**Line 27a—Schedule of Assets Held for Investment Purposes**

**December 31, 19X2**

<table>
<thead>
<tr>
<th>(a) Identity of Party Involved</th>
<th>(b) Description of Asset</th>
<th>(c) Number of Shares or Units</th>
<th>(d) Cost</th>
<th>(e) Current Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>ABC Bank</em></td>
<td>Money Market Fund*</td>
<td>8,284,990</td>
<td>$ 8,305,776</td>
<td>$ 8,603,200</td>
</tr>
<tr>
<td>Prosperity Investments</td>
<td>Mutual Fund</td>
<td>3,001,084</td>
<td>209,763,508</td>
<td>201,224,580</td>
</tr>
<tr>
<td>DEF Inc.</td>
<td>Money Market Mutual Fund</td>
<td>32,830,692</td>
<td>32,834,998</td>
<td>32,762,690</td>
</tr>
<tr>
<td>GHI Investors</td>
<td>Balanced Fund</td>
<td>1,637,252</td>
<td>78,934,398</td>
<td>85,138,916</td>
</tr>
<tr>
<td>ABC Global Investors</td>
<td>Equity Index Fund</td>
<td>7,656,770</td>
<td>106,932,318</td>
<td>125,894,220</td>
</tr>
<tr>
<td>Participant Loans</td>
<td>Interest ranging from 7%-10%</td>
<td>13,247,714</td>
<td>13,415,714</td>
<td>12,933,714</td>
</tr>
</tbody>
</table>

**National Synthetic:**

| GNMA ARM                      | #H3-9246 6.50%            | 2,600,000                     | 1,920,150 | 1,931,158       |
| GNMA ARM                      | #H3-9013 6.50%            | 1,145,708                     | 718,774   | 723,358         |
| GNMA ARM                      | #H3-957882 6.50%         | 1,572,778                     | 1,192,310 | 1,127,842       |
| GNMA ARM                      | #H3-9611 7.15%           | 2,321,586                     | 815,230   | 819,084         |
| GNMA ARM                      | #H3-9645 7.15%           | 5,000,152                     | 1,809,048 | 1,828,616       |
| GNMA ARM                      | #H3-9933 7.15%           | 1,950,002                     | 1,195,006 | 1,208,864       |
| GNMA ARM                      | #H3-9080 7.75%           | 1,950,000                     | 992,740   | 999,994         |
| FHLMC FRM                     | 7.50%                    | 16,000,000                    | 16,003,126 | 15,975,040     |
| GNMA FRM                      | 7.50%                    | 10,044,994                    | 10,167,418 | 10,044,994     |
| Interest Rate Floor Agreement | 5.50%                    | 16,000,000                    | 308,800   | 317,600         |
| U.S. Treasury Note            | #U-091642 6.00%          | 710,000                       | 714,826   | 712,108         |
| *ABC Bank*                    | Money Market Fund        | 32,308,798                    | 32,308,798 | 32,316,798     |

**National Wrapper:**

| Synthetic Wrapper Agreement   |                         | —                             | —         | (393,352)       |
| ABC Life Contract             | #HBD-41463 6.15%, 3-1-X6 | 20,661,604                    | 20,713,442 | 20,661,604     |
| DEF Contract                  | #HBD-8568322 5.65%, 9-1-X3 | 26,272,740                    | 26,338,656 | 26,272,740     |
| GHI Mutual Contract           | #HBD-50870 5.00%, 2-8-X4 | 17,796,028                    | 17,840,676 | 17,814,028     |
| GHI Mutual Contract           | #HBD-50870 6.50%, 3-1-X5 | 11,574,102                    | 11,603,140 | 11,560,102     |
| JKL Life Contract             | #HBD-25193 7.25%, 3-1-X5 | 14,290,224                    | 14,326,076 | 14,290,224     |
| JKL Life Contract             | #HBD-25276 6.15%, 3-1-X6 | 17,299,096                    | 17,342,498 | 17,299,096     |
| MNO Contract                  | #HBD-23991 5.50%, 3-2-X4 | 13,880,466                    | 13,915,290 | 13,880,466     |
| PQR International Group       | #HBD-29318 7.00%, 9-1-X5 | 14,379,788                    | 14,415,866 | 14,379,788     |
| STU Contract                  | #HBD-0019 5.75%, 3-1-X4  | 4,331,894                     | 4,342,762  | 4,331,894       |
| STU Contract                  | #HBD-0882 4.75%, 8-31-X3 | 8,724,514                     | 8,746,402  | 8,724,514       |
| VWX Int'l Group Contract      | #HBD-987 7.55%, 3-1-X5   | 11,781,558                    | 11,811,116 | 11,781,558     |
| YZA Int'l Life                | #HBD-29205 7.00%, 9-1-X5 | 7,256,842                     | 7,275,048  | 7,256,842       |
| BCD Life Insurance Company    | #HBD-HB0004 7.25%, 9-1-X4 | 8,219,378                     | 8,240,000  | 8,219,378       |
| ABC Life Contract             | #HBD-41587 6.25%, 3-1-X7 | 20,000,000                    | 20,052,406 | 20,087,880     |
| EFG Mutual Life Insurance     | #HBD-9737 6.75%, 3-1-X7  | 14,657,064                    | 14,693,838 | 14,656,664     |
| HIJ Contract                  | #CJD 114062 6.50%, 9-1-X3 | 10,893,652                    | 10,920,984 | 10,884,652     |

$740,841,138 $757,070,854

*A party-in-interest as defined by ERISA.*
Plan Name: ABC Company Pension Plan II  
Sponsor: ABC Holdings (Operations) Inc.  
Employer Identification Number: 55-5555555  
Plan Number: 001  
Plan Year Ending: December 31, 19X2

Schedule of Assets Held for Investment Purposes—See Form 5500, Line 27(a)

<table>
<thead>
<tr>
<th>(a)</th>
<th>Identity of Issue, Borrower, Lessor, or Similar Party</th>
<th>(c) Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value</th>
<th>(d) Face Value or Number of Shares</th>
<th>(e) Cost</th>
<th>(f) Current Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>*</td>
<td>ABC Bank Liquid Reserve Fund</td>
<td>Money Market Fund</td>
<td>$485,698</td>
<td>$485,698</td>
<td>$485,698</td>
</tr>
<tr>
<td>*</td>
<td>GHI Bank Temporary Investment</td>
<td>Money Market Fund</td>
<td>1,542</td>
<td>1,542</td>
<td>1,542</td>
</tr>
<tr>
<td>*</td>
<td>GHI Bank Bond Index Fund</td>
<td>Bond Fund</td>
<td>110,612</td>
<td>21,360,966</td>
<td>19,225,196</td>
</tr>
<tr>
<td>*</td>
<td>GHI Bank Stock Index Fund</td>
<td>Equity Fund</td>
<td>85,578</td>
<td>40,939,568</td>
<td>59,901,044</td>
</tr>
<tr>
<td>*</td>
<td>Sample Company, Ltd.</td>
<td>Common Stock</td>
<td>115,956</td>
<td>1,237,094</td>
<td>3,275,756</td>
</tr>
<tr>
<td></td>
<td>XYZ Company</td>
<td>Common Stock</td>
<td>28</td>
<td>0</td>
<td>230</td>
</tr>
<tr>
<td>*</td>
<td>DEF Realty Fund</td>
<td>Real Estate Fund</td>
<td>42</td>
<td>2,307,124</td>
<td>1,741,808</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td>$66,331,992</td>
</tr>
</tbody>
</table>

* A party-in-interest as defined by ERISA.
**SCHEDULE I**

Sample Company, Inc. Pension Plan  
Line 27a—Schedule of Assets Held for Investment Purposes  
December 14, 19X2

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
<th>Current Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABC Bank money market, variable rate—4.87% as of December 14, 19X2</td>
<td>$2,438,340</td>
<td>$2,438,340</td>
</tr>
<tr>
<td>Prosperity Life Insurance Company, Inc. group annuity contract No. 207503,</td>
<td>53,142</td>
<td>53,142</td>
</tr>
<tr>
<td>variable rate—5% as of December 14, 19X2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prosperity Life Insurance Company, Inc. group annuity contract No. 207636,</td>
<td>89,616</td>
<td>89,616</td>
</tr>
<tr>
<td>variable rate—5% as of December 14, 19X2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>National Life Insurance Company, group annuity contract No. 6455739,</td>
<td>242,718</td>
<td>242,718</td>
</tr>
<tr>
<td>variable rate—5.5% as of December 14, 19X2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>National Life Insurance Company, group annuity contract No. 6455744,</td>
<td>933,536</td>
<td>933,536</td>
</tr>
<tr>
<td>variable rate—5.5% as of December 14, 19X2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total investments</td>
<td>$3,757,352</td>
<td>$3,757,352</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of this schedule.
## Sample Company Retirement Plan

**Line 27b—Schedule of Loans or Fixed Income Obligations in Default**

*as of December 31, 19X2*

<table>
<thead>
<tr>
<th>(a) Identity and Address of Obligor</th>
<th>(b) Original Amount of Loan</th>
<th>(c) Amount Received During Reporting Year</th>
<th>(d) Principal</th>
<th>(e) Interest</th>
<th>(f) Unpaid Balance at End of Year</th>
<th>(g) Detailed Description of Loan Including Dates of Making and Maturity, Interest Rate, the Type and Value of Collateral, Any Renegotiation of the Loan and the Terms of the Renegotiation, and Other Material Items</th>
<th>(h) Amount Overdue</th>
</tr>
</thead>
<tbody>
<tr>
<td>* John Smith</td>
<td>345 Partridge St.</td>
<td>$3,000</td>
<td>$0</td>
<td>$0</td>
<td>$4,384</td>
<td>10%, $500 monthly payment, due 8/1/X6, dated 8/14/X1</td>
<td>$3,000</td>
</tr>
<tr>
<td>St. Louis, MO 63105</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$1,384</td>
</tr>
<tr>
<td>* Jane Jones</td>
<td>333 University St.</td>
<td>$28,000</td>
<td>$7,088</td>
<td>$2,138</td>
<td>$18,774</td>
<td>9%, $284 semi-monthly payment, due 12/31/X9, dated 12/20/X3</td>
<td>$2,400</td>
</tr>
<tr>
<td>St. Louis, MO 63105</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$500</td>
</tr>
</tbody>
</table>

*A party-in-interest as defined by ERISA.*
### XYZ Savings Program

**EIN:** 55-555555555

**Plan:** 002

**Line 27(b)—Schedule of Loans or Fixed Income Obligations as of December 31, 19X2**

<table>
<thead>
<tr>
<th>Identity and Address of Obligor</th>
<th>Original Amount of Loan</th>
<th>Amount Received During Reporting Year</th>
<th>Unpaid Balance at End of Year</th>
<th>Detailed Description of Loan Including Dates of Making and Maturity, Interest Rate, the Type and Value of Collateral, Any Renegotiation of the Loan and the Terms of the Renegotiation, and Other Material Items</th>
<th>Amount Overdue</th>
</tr>
</thead>
<tbody>
<tr>
<td>John David</td>
<td>40,000</td>
<td>$ —</td>
<td>$ 82</td>
<td>Date of making 9/26/X2, 9.25%, matures 9/6/X7, collateralized by participant's Plan account balance, no terms renegotiated</td>
<td>$40,000 142</td>
</tr>
<tr>
<td>223 Brook Court, Sunnyvale, CA 94089</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gene Rose</td>
<td>8,000</td>
<td>—</td>
<td>8,028</td>
<td>Date of making 11/16/X2, 9.25%, matures 10/30/X5, collateralized by participant's Plan account balance, no terms renegotiated</td>
<td>8,000 28</td>
</tr>
<tr>
<td>1302 Lake Drive, Birmingham, AL 35242</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jane Smith</td>
<td>12,000</td>
<td>3,644</td>
<td>116</td>
<td>Date of making 9/1/X0, 8.25%, matures 2/4/X2, collateralized by participant's Plan account balance, no terms renegotiated</td>
<td>496 2</td>
</tr>
<tr>
<td>2202 Ranch Road, Santa Clara, CA 95054</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Joseph Jones</td>
<td>17,000</td>
<td>2,368</td>
<td>664</td>
<td>Date of making 9/14/X1, 10.00%, matures 12/20/X2, collateralized by participant's Plan account balance, no terms renegotiated</td>
<td>13,112 52</td>
</tr>
<tr>
<td>725 Bird Avenue, Mountain View, CA 94043</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sharon Rueb</td>
<td>45,782</td>
<td>4,394</td>
<td>722</td>
<td>Date of making 5/14/X2, 9.25%, matures 12/20/X2, collateralized by participant's Plan account balance, no terms renegotiated</td>
<td>44,664 160</td>
</tr>
<tr>
<td>1302 Stone Court, Angels Camp, CA 95222</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### 3. Line 27d—Schedule of Reportable Transactions

<table>
<thead>
<tr>
<th>Identity of Party Involved</th>
<th>Description of Asset</th>
<th>Purchase Price</th>
<th>Selling Price</th>
<th>Current Value of Asset on Transaction Date</th>
<th>Net Cost of Asset</th>
<th>Expense Incurred With Transaction</th>
<th>Lease Rental Expense Incurred With Transaction</th>
<th>Net Gain/(Loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td>XYZ Trust Fixed Income Fund</td>
<td>Retirement Mutual Fund, 12 purchases, 20,500 shares</td>
<td>$100,000</td>
<td>N/A</td>
<td>N/A</td>
<td>$100,000</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>XYZ Trust Equity Fund</td>
<td>Retirement Mutual Fund, 20 sales, 40,000 shares</td>
<td>$400,000</td>
<td>N/A</td>
<td>N/A</td>
<td>$400,000</td>
<td>N/A</td>
<td>N/A</td>
<td>$100,000</td>
</tr>
<tr>
<td>ABC Company</td>
<td>ABC Company</td>
<td>$500,000 note dated 2/15/X0, 7.25% interest, matures 2/15/X6</td>
<td>$432,278</td>
<td>N/A</td>
<td>N/A</td>
<td>$429,272</td>
<td>$3,008</td>
<td>$3,008</td>
</tr>
<tr>
<td>DEF Growth Fund</td>
<td>Retirement Mutual Fund, purchase of 100,000 shares</td>
<td>$400,000</td>
<td>N/A</td>
<td>N/A</td>
<td>$400,000</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

(a) Represents transaction or a series of transactions in securities of the same issue in excess of 5% of the plan market value as of December 31, 19X2.

(b) Identity of Party Involved

(c) Description of Asset

(d) Purchase Price

(e) Selling Price

(f) Current Value of Asset on Transaction Date

(g) Net Cost of Asset

(h) Expense Incurred With Transaction

(i) Lease Rental Expense Incurred With Transaction

(j) Net Gain/(Loss)

Sample Company Retirement Plan as of December 31, 19X2
### AB&C Enterprises 401(k) Retirement Plan

**EIN:** 55-555555555

**Plan Number:** 001

**Line 27d—Schedule of Reportable Transactions for the Year Ended December 31, 19X2**

<table>
<thead>
<tr>
<th>(a) Identity</th>
<th>(b) Description of Asset</th>
<th>(c) Number of Transactions</th>
<th>(d) Purchase Price</th>
<th>(e) Selling Price</th>
<th>(f) Expense Incurred With Transaction</th>
<th>(g) Cost of Asset</th>
<th>(h) Current Value of Asset on Transaction Date</th>
<th>(i) Net Gain or Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>The National Group</em></td>
<td>National Fund</td>
<td>Purchases 76</td>
<td>$915,684</td>
<td>$0</td>
<td>$0</td>
<td>$915,684</td>
<td>$915,684</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sales 62</td>
<td>0</td>
<td>1,990,114</td>
<td>0</td>
<td>0</td>
<td>1,550,782</td>
<td>1,990,114</td>
</tr>
<tr>
<td><em>The National Group</em></td>
<td>National Money</td>
<td>Purchases 132</td>
<td>1,470,010</td>
<td>0</td>
<td>0</td>
<td>1,470,010</td>
<td>1,470,010</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sales 72</td>
<td>0</td>
<td>1,841,562</td>
<td>0</td>
<td>0</td>
<td>1,841,562</td>
<td>1,841,562</td>
</tr>
<tr>
<td><em>The National Group</em></td>
<td>National Index Trust—500 Portfolio</td>
<td>Purchases 100</td>
<td>1,467,154</td>
<td>0</td>
<td>0</td>
<td>1,467,154</td>
<td>1,467,154</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sales 56</td>
<td>0</td>
<td>1,682,810</td>
<td>0</td>
<td>0</td>
<td>1,323,132</td>
<td>1,682,810</td>
</tr>
<tr>
<td><em>The National Group</em></td>
<td>National International Value Portfolio</td>
<td>Purchases 72</td>
<td>685,274</td>
<td>0</td>
<td>0</td>
<td>685,274</td>
<td>685,274</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sales 48</td>
<td>0</td>
<td>955,120</td>
<td>0</td>
<td>0</td>
<td>926,416</td>
<td>955,120</td>
</tr>
<tr>
<td><em>The National Group</em></td>
<td>National Equity Income Fund</td>
<td>Purchases 64</td>
<td>228,164</td>
<td>0</td>
<td>0</td>
<td>228,164</td>
<td>228,164</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sales 34</td>
<td>0</td>
<td>956,290</td>
<td>0</td>
<td>0</td>
<td>687,634</td>
<td>956,290</td>
</tr>
<tr>
<td><em>The National Group</em></td>
<td>National U.S. Growth Portfolio</td>
<td>Purchases 80</td>
<td>578,780</td>
<td>0</td>
<td>0</td>
<td>578,780</td>
<td>578,780</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sales 44</td>
<td>0</td>
<td>1,340,648</td>
<td>0</td>
<td>0</td>
<td>900,802</td>
<td>1,340,648</td>
</tr>
</tbody>
</table>

* *A party-in-interest as defined by ERISA.*
**DEF Holdings Inc. 401(k) Plan**  
**Plan Sponsor: DEF Holdings, Inc.**  
**Plan Sponsor EIN: 55-5555555**  
**Plan Number: 002**

**Line 27d—Schedule of Reportable Transactions**  
**For the Year Ended December 31, 19X2**

<table>
<thead>
<tr>
<th>(a) Identity of Party Involved*</th>
<th>(b) Description of Securities</th>
<th>(c) Number of Transactions</th>
<th>(d) Aggregate Transactions Purchase Price</th>
<th>(e) Aggregate Transactions Sale Price</th>
<th>(f) Expenses Incurred With Transaction</th>
<th>(g) Cost of Asset</th>
<th>(h) Current Value of Asset on Transaction Date</th>
<th>(i) Net Gain (Loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DEF Dollar Fund</td>
<td>Mutual Fund shares</td>
<td>82</td>
<td>$836,064</td>
<td>773,288</td>
<td>**</td>
<td>$836,064</td>
<td>**</td>
<td>773,288</td>
</tr>
<tr>
<td>DEF Dollar Fund</td>
<td>Mutual Fund Shares</td>
<td>84</td>
<td>696,986</td>
<td>696,986</td>
<td>**</td>
<td>**</td>
<td>**</td>
<td></td>
</tr>
<tr>
<td>DEF America Growth Fund</td>
<td>Mutual Fund Shares</td>
<td>60</td>
<td>1,082,634</td>
<td>1,082,634</td>
<td>**</td>
<td>931,458</td>
<td>**</td>
<td></td>
</tr>
<tr>
<td>DEF America Growth Fund</td>
<td>Mutual Fund Shares</td>
<td>94</td>
<td>1,297,394</td>
<td>1,297,394</td>
<td>**</td>
<td>**</td>
<td>1,297,394</td>
<td>**</td>
</tr>
<tr>
<td>DEF Emerging Markets Fund</td>
<td>Mutual Fund Shares</td>
<td>60</td>
<td>1,113,632</td>
<td>1,113,632</td>
<td>**</td>
<td>**</td>
<td>**</td>
<td></td>
</tr>
<tr>
<td>DEF High Income Fund</td>
<td>Mutual Fund Shares</td>
<td>60</td>
<td>1,015,116</td>
<td>1,015,116</td>
<td>**</td>
<td>**</td>
<td>**</td>
<td></td>
</tr>
<tr>
<td>DEF Natural Resources Fund</td>
<td>Mutual Fund Shares</td>
<td>60</td>
<td>62,554</td>
<td>62,554</td>
<td>**</td>
<td>**</td>
<td>919,756</td>
<td>**</td>
</tr>
</tbody>
</table>

*All parties represent parties-in-interest to the Plan.  
**Information not available.
**XYZ Savings Program**  
**EIN: 55-5555555**  
**Plan: 002**  

*Line 27d—Schedule of Reportable Transactions*  
*For the Year Ended December 31, 19X2*

<table>
<thead>
<tr>
<th>(a) Identity of Party Involved*</th>
<th>(b) Description of Asset</th>
<th>(c) Number of Purchase Transactions</th>
<th>(d) Number of Sales Transactions</th>
<th>(e) Selling Price</th>
<th>(f) Lease Rental With Transaction</th>
<th>(g) Cost of Assets</th>
<th>(h) Current Value of Asset on Transaction Date</th>
<th>(i) Net Gain (Loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABC Bank</td>
<td>Money Market Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prosperity Investments</td>
<td>Mutual Fund</td>
<td>148</td>
<td>298</td>
<td>56,731,132</td>
<td>52,321,134</td>
<td>60,082,384</td>
<td>60,082,384</td>
<td>4,409,998</td>
</tr>
<tr>
<td>Prosperity Investments</td>
<td>Mutual Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DEF Inc.</td>
<td>Money Market Mutual Fund</td>
<td>166</td>
<td>312</td>
<td>11,197,446</td>
<td>11,197,446</td>
<td>18,729,248</td>
<td>18,729,248</td>
<td></td>
</tr>
<tr>
<td>DEF Inc.</td>
<td>Money Market Mutual Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GHI Investors</td>
<td>Balanced Fund</td>
<td>272</td>
<td>184</td>
<td>17,748,138</td>
<td>10,356,300</td>
<td>33,188,156</td>
<td>33,188,156</td>
<td></td>
</tr>
<tr>
<td>GHI Investors</td>
<td>Balanced Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ABC Global Investors</td>
<td>Equity Index Fund</td>
<td>324</td>
<td>116</td>
<td>51,644,964</td>
<td>51,644,964</td>
<td>16,211,918</td>
<td>16,211,918</td>
<td>1,480,754</td>
</tr>
<tr>
<td>ABC Global Investors</td>
<td>Equity Index Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*A party-in-interest as defined by ERISA.*
### Sample Company, Inc. Pension Plan
#### Line 27d—Schedule of Reportable Transactions (a)
For the Year Ended December 14, 19X2

<table>
<thead>
<tr>
<th>Identity of Party</th>
<th>Description of Asset</th>
<th>Number of Transactions</th>
<th>Purchase Price</th>
<th>Number of Transactions</th>
<th>Selling Price</th>
<th>Cost</th>
<th>Net Gain (Loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABC Bank</td>
<td>United States Treasury bills</td>
<td>1</td>
<td>$1,804,000</td>
<td>1</td>
<td>$1,804,000</td>
<td>$1,804,000</td>
<td>$0</td>
</tr>
<tr>
<td>Prosperity Life Insurance</td>
<td>Life insurance policies</td>
<td>0</td>
<td></td>
<td>0</td>
<td>990,894</td>
<td>990,894</td>
<td>0</td>
</tr>
</tbody>
</table>

(a) Represents transactions or a series of transactions in securities of the same issue in excess of 5% of the Plan’s market value as of December 15, 19X2.

The accompanying notes are an integral part of this schedule.
This schedule is prepared using the alternative way of reporting (iii) series transactions under DOL Regulation 2520.103-b(d)(2).

**Plan Name:** ABC Company Pension Plan II  
**Sponsor:** ABC Holdings (Operations) Inc.  
**Employer Identification Number:** 55-5555555  
**Plan Number:** 001  
**Plan Year Ending:** December 31, 19X2  
**Schedule of Reportable Transactions—See Form 5500, Line 27(d)**

<table>
<thead>
<tr>
<th>Identity of Party Involved</th>
<th>Description of Asset (Include Interest Rate and Maturity in Case of a Loan)</th>
<th>(a) Number of Purchases</th>
<th>(b) Number of Sales</th>
<th>(c) Total Value of Purchases</th>
<th>(d) Total Value of Sales</th>
<th>(e) Net Gain (Loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td>* ABC Bank Liquid Reserve Fund</td>
<td>Commingled Employee Benefit Trust</td>
<td>N/A</td>
<td>40</td>
<td>N/A</td>
<td>6,587,338</td>
<td>N/A</td>
</tr>
<tr>
<td>* ABC Bank Liquid Reserve Fund</td>
<td>Commingled Employee Benefit Trust</td>
<td>N/A</td>
<td>8</td>
<td>N/A</td>
<td>4,051,030</td>
<td>1,180,478</td>
</tr>
<tr>
<td>* GHI Bank</td>
<td>GHI Bank Stock Index Fund</td>
<td>N/A</td>
<td>10</td>
<td>N/A</td>
<td>3,461,454</td>
<td>(73,002)</td>
</tr>
<tr>
<td>* GHI Bank</td>
<td>GHI Bank Bond Index Fund</td>
<td>N/A</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>* GHI Bank</td>
<td>GHI Bank Bond Index Fund</td>
<td>N/A</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*A party-in-interest as defined by ERISA.
Sample Company Pension Plan  
Item 27e—Schedule of Nonexempt Transactions  
as of December 31, 19X2

<table>
<thead>
<tr>
<th>(a) Identity of Party Involved</th>
<th>(b) Relationship of Plan, Employer, or Other Party-In-Interest</th>
<th>(c) Description of Transactions Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value</th>
<th>(d) Purchase Price</th>
<th>(e) Selling Price</th>
<th>(f) Lease Rental</th>
<th>(g) Expenses Incurred With Transaction</th>
<th>(h) Cost of Asset</th>
<th>(i) Current Value of Asset</th>
<th>(j) Net Gain or (Loss) on each Transaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABC Company</td>
<td>Plan Sponsor</td>
<td>$100,000 note, 8.25% interest, dated 01/01/X0, due 12/31/X4</td>
<td>$1,000,000</td>
<td>N/A</td>
<td>N/A</td>
<td>$20,000</td>
<td>N/A</td>
<td>$980,000</td>
<td>N/A</td>
</tr>
<tr>
<td>ABC Company</td>
<td>Plan Sponsor</td>
<td>Overdue employee contributions not timely remitted to the plan</td>
<td>400,000*</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>$400,000</td>
<td>N/A</td>
</tr>
</tbody>
</table>

*This represents total amount of contributions that have been withheld from employees, but not remitted timely into trust by the plan sponsor.