



Conference Call 3Q12

MEPPs Recent Developments



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1. What are we doing?
2. What are the economic and accounting impacts of these withdrawals?
3. Why are we doing this?

Annexes

- MEPPs- Additional Information



What are we doing?



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- ▶ During the third quarter, BBU took a proactive stance to address issues with two MEPPs (“Multiemployer Pension Plans”) in which it participates – **The New England Teamsters and the Bakers Local 433 Funds** (“The Plans”)
- ▶ With the New England Plan, BBU is taking advantage of a **hybrid withdrawal** solution, which will significantly increase the security of our associates’ retirement benefits while reducing our contribution volatility
- ▶ With the Bakers Local 433 Plan, BBU has triggered its withdrawal liability as has the other major employer in the Plan, avoiding future risk and providing our associates with a non-MEPP Company-sponsored retirement vehicle
- ▶ These actions, undertaken and embraced by BBU, mitigate future risks associated with the financial health of the funds, yielding more certainty to all stakeholder’s interests - **unions, associates, the Company and its shareholders**

What are the accounting & economic impacts of these withdrawals?



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Accounting Impact

Withdrawal Liabilities	\$110.9mm
Existing Reserve ¹	\$31.2mm
One-time charge to P&L	\$79.7mm

Economic Impact²

Present Value \$68.2mm

Present Value Contributions under Current Situation (25Y)

\$208.1mm

Present Value Contributions under New Solution (25Y)

\$139.9 mm

PV Economic Benefit
\$68.2

1) Reserve made for legacy Sara lee MEPPs
2) Before Taxes and discounted at WACC rate

Why are we doing this?



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- All types of Defined Pension Plans, both single and multiemployer, face structural problems leading to serious funding status concerns
 - a. Financial health of pension plans has been stressed by poor investment returns and low interest rates
 - b. In the case of MEPPS, the situation has been exacerbated by a reduction in the contribution base and the insolvency of a number of employers, in many cases, retirees greatly outnumber active participants
- In the recent past, new creative solutions have been adopted by a number of Plans in various industries to lead deteriorating Plans onto sound financial footing (i.e. Kroger)
- BBU is committed to being part of the problem-solving process and resolved to take the responsible steps to secure retirement benefits for its associates
- These are, and will be, solutions which better protect associates benefits and provide the company a more stable level of future contributions



Annex

MEPPs Additional Information



- Multiemployer Pension Plans (“**MEPPs**”) were created by the **Labor Management Relations Act of 1947**, known as Taft-Hartley Act.
- A **MEPP** is a fund into which **several unrelated employers**, in the same or similar industry, pay to fund retirement benefits for the unionized workers in the plan
 - Originally intended to ease employee movements from employer to employer in the same industry without losing pension rights
 - These plans are collectively bargained and maintained by more than one employer contributing on a permanent basis to the fund
 - Managed under the control of labor-management trustees
- In the United States there are **1,510** active multiemployer defined benefit pension plans covering approximately **10.1** million participants¹

Thank you

