UFCW Unions and Contributing Employers Legal Benefits Fund

Financial Statements

For the Years Ended December 31, 2011 and 2010

Bond Beebe
Accountants & Advisors

UFCW UNIONS AND CONTRIBUTING EMPLOYERS LEGAL BENEFITS FUND
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Board of Trustees
UFCW Unions and Contributing
Employers Legal Benefits Fund
4301 Garden City Dr., Ste. 201
Landover, MD 20785-6102

We have audited the accompanying statements of net assets available for benefits and benefit obligations of the UFCW Unions and Contributing Employers Legal Benefits Fund as of December 31, 2011 and 2010 and the related statements of changes in net assets available for benefits and benefit obligations 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 financial status of the UFCW Unions and Contributing Employers Legal Benefits Fund as of December 31, 2011 and 2010 and the changes in its financial status for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Bond Beebe

A Professional Corporation
Bethesda, MD
October 14, 2012

UFCW UNIONS AND CONTRIBUTING EMPLOYERS LEGAL BENEFITS FUND
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS AND BENEFIT OBLIGATIONS
DECEMBER 31, 2011 AND 2010

	2011	2010
ASSETS		
Investments		
Short-term investment fund	$ 43,821	$ 52,863
Mutual fund	24,489	95,768
	68,310	148,631
Receivables		
Employer contributions	42,009	51,856
Accrued investment income	25	139
	42,034	51,995
TOTAL ASSETS	110,344	200,626
LIABILITIES		
Accounts payable	19,919	23,789
NET ASSETS AVAILABLE FOR BENEFITS	90,425	176,837
BENEFIT OBLIGATIONS		
Payable to legal service providers	78,848	103,425
EXCESS OF NET ASSETS AVAILABLE FOR BENEFITS OVER BENEFIT OBLIGATIONS	$ 11,577	$ 73,412

UFCW UNIONS AND CONTRIBUTING EMPLOYERS LEGAL BENEFITS FUND
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS AND BENEFIT OBLIGATIONS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
ADDITIONS TO NET ASSETS AVAILABLE FOR BENEFITS ATTRIBUTED TO		
Investment income		
Dividend and interest income	$ 921	$ 2,850
(Depreciation) appreciation in fair value of investments	(306)	778
	615	3,628
Investment expenses	(250)	(255)
	365	3,373
Employer contributions	541,825	645,616
TOTAL ADDITIONS	542,190	648,989
DEDUCTIONS FROM NET ASSETS AVAILABLE FOR BENEFITS ATTRIBUTED TO		
Benefits	565,117	656,246
Administrative and other expenses		
Contract administrator's fee	34,508	41,424
Audit fees	12,265	12,285
Payroll audit fees	3,709	4,824
Legal fees	8,099	3,997
Insurance and bonding	4,350	4,350
Printing and postage	554	219
Accounting fees	-	2,750
TOTAL DEDUCTIONS	628,602	726,095
NET DECREASE IN NET ASSETS AVAILABLE FOR BENEFITS	(86,412)	(77,106)
NET CHANGE IN BENEFIT OBLIGATIONS		
Net decrease in payable to legal service providers	(24,577)	(6,915)
DECREASE IN EXCESS OF NET ASSETS AVAILABLE FOR BENEFITS OVER BENEFIT OBLIGATIONS	(61,835)	(70,191)
EXCESS OF NET ASSETS AVAILABLE FOR BENEFITS OVER BENEFIT OBLIGATIONS AT BEGINNING OF YEAR	73,412	143,603
EXCESS OF NET ASSETS AVAILABLE FOR BENEFITS OVER BENEFIT OBLIGATIONS AT END OF YEAR	$ 11,577	$ 73,412

NOTE 1: PLAN DESCRIPTION

The UFCW Unions and Contributing Employers Legal Benefits Fund (the Plan) is a multi-employer, collectively bargained benefit plan subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

The Plan was established April 1, 1980 to cover employees working in jobs covered by collective bargaining agreements between certain employers and the United Food and Commercial Workers Union Local 400. Effective June 1, 1983, employees working in jobs covered by collective bargaining agreements between certain employers and United Food and Commercial Workers Union Local 27 were covered by the Plan. The membership of Local Unions 400 and 27 cover various regions in the eastern half of the United States. Contributions to the Plan are made by the employers at rates specified in their collective bargaining agreements. The Plan provides various specified legal services to the covered employees and their eligible dependents. The Trustees of the Plan have entered into agreements with attorneys to provide the legal services and have agreed to pay the attorneys a specified amount per month for each eligible employee.

Participants in the Plan become eligible for benefits on the first day of the calendar month following three consecutive contributions made on their behalf by a participating employer. Eligibility status for benefit coverage will terminate upon the occurrence of certain events specified in the Summary Plan Description, including but not limited to, the termination of employment or a change in job classification to a classification which is not covered by the Plan.

Participants should refer to the Summary Plan Description for more complete information.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Investments

The PNC Government Fund is carried at cost which approximates fair value. The PNC Limited Maturity Bond Fund is carried at fair value based upon quoted market prices as of the last business day of the year.

Purchases and sales of securities are reflected on a trade-date basis. Dividend income is recognized as of the ex-dividend date. Interest income is recognized as earned on the accrual basis.

In accordance with the policy of stating investments at fair value, appreciation or depreciation in value during the current period is reflected in the statements of changes in net assets available for benefits and benefit obligations.

Employer Contributions

Contributions from employers are accrued based upon subsequent employer remittance reports and cash receipts. Therefore, no allowance for uncollectible accounts is required.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, legal benefit obligations and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Subsequent Events

In preparing these financial statements, management of the Plan has evaluated events and transactions that occurred after December 31, 2011 for potential recognition or disclosure in the financial statements. These events and transactions were evaluated through October 14, 2012, the date that the financial statements were available to be issued.

NOTE 3: INVESTMENTS

The Plan's investments are held by a custodial bank which also acts as an investment manager. The following summary presents cost and fair value for each of the investment categories. Investments that represent 5% or more of the total plan assets are separately identified:

	2011		2010	
	Cost	Fair Value	Cost	Fair Value
PNC Government Fund	$ 43,821	$ 43,821	$ 52,863	$ 52,863
PNC Limited Maturity Bond Fund	23,864	24,489	92,824	95,768
	$ 67,685	$ 68,310	$ 145,687	$ 148,631

During the years ended December 31, 2011 and 2010, the Plan's investments in the PNC Limited Maturity Bond Fund, whose fair value has been measured by quoted prices in an active market, (depreciated) appreciated $(306) and $778, respectively.

NOTE 4: FAIR VALUE

Generally accepted accounting principles define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establish a fair value reporting hierarchy and define three broad levels of inputs (the assumptions that market participants would use in pricing the asset or liability) as noted below:

Level 1

Inputs are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets may include securities that are traded in an active exchange market or actively traded in over-the-counter markets.

Level 2

Valuation is based on directly or indirectly observable inputs other than quoted prices included within Level 1 such as: quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active or inputs other than quoted prices that are observable or can be corroborated to observable market data for substantially the full term of the asset or liability.

Level 3

Valuation is based on unobservable inputs for the asset or liability. Level 3 assets may include financial instruments whose value is determined using pricing models with internally developed assumptions, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. See Note 2 for more specific detail on valuation methodology. There have been no changes in the valuation methodology used at December 31, 2011 and 2010.

NOTE 4: FAIR VALUE - continued

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. For the year ended December 31, 2011, there were no transfers in or out of levels 1, 2, or 3.

As of December 31, 2011 and 2010, assets measured at fair value on a recurring basis are summarized by level within the fair value hierarchy as follows:

	2011			
	Level 1	Level 2	Level 3	Total Fair Value
PNC Government Fund	$ -	$ 43,821	$ -	$ 43,821
PNC Limited Maturity Bond Fund	24,489	-	-	24,489
	$ 24,489	$ 43,821	$ -	$ 68,310

	2010			
	Level 1	Level 2	Level 3	Total Fair Value
PNC Government Fund	$ -	$ 52,863	$ -	$ 52,863
PNC Limited Maturity Bond Fund	95,768	-	-	95,768
	$ 95,768	$ 52,863	$ -	$ 148,631

NOTE 5: TAX STATUS

On November 28, 1994, the Internal Revenue Service advised that the trust qualified under Section 501(c)(9) of the Internal Revenue Code and therefore, is not subject to federal income taxes.

Generally accepted accounting principles require management to evaluate tax positions taken and recognize a tax liability if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has evaluated the tax positions taken by the Plan and concluded that as of December 31, 2011 there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any tax periods. Management believes the Plan is no longer subject to tax examinations for the years prior to 2008.

NOTE 6: PRIORITIES UPON TERMINATION

It is the intent of the Trustees to continue the Plan in full force and effect; however, to safeguard against any unforeseen contingencies, the right to discontinue the Plan is reserved to the Trustees. In the event of termination, the Trustees shall first satisfy or make provisions to satisfy the obligations of the Plan. Any remaining Plan assets will be distributed in such manner as will in the opinion of the Trustees bring about the purpose of the Plan. Termination shall not permit any part of the Plan to be used for or diverted to purposes other than the exclusive benefit of the participants.

NOTE 7: MAJOR EMPLOYER

The Plan has one employer that accounts for approximately 94% of employer contributions for each of the years ended December 31, 2011 and 2010. In the event this employer suspends contributions, the Plan would terminate coverage to the employer's participants as required by the Plan document. The Plan would retain the risk of current fixed administrative expenses until the appropriate adjustments were made.

NOTE 8: FUNDING POLICY

The Plan is primarily funded by employer contributions made monthly in accordance with collective bargaining agreements. The average contribution rates were $19.00 and $18.25 per participant per month for the years ended December 31, 2011 and 2010, respectively.

NOTE 9: RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits and benefit obligations.

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTAL INFORMATION

Board of Trustees
UFCW Unions and Contributing
Employers Legal Benefits Fund
4301 Garden City Dr., Ste. 201
Landover, MD 20785-6102

We have audited the financial statements of UFCW Unions and Contributing Employers Legal Benefits Fund as of and for the years ended December 31, 2011 and 2010, and our report thereon dated October 14, 2012 which expressed an unqualified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of employer contributions are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Bond Beebe

A Professional Corporation
Bethesda, MD
October 14, 2012

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	2011	2010
EMPLOYER CONTRIBUTIONS		
Magruders	$ 7,868	$ 8,923
Metropolitan Poultry and Seafood Co.	7,163	10,027
Shoppers Food Warehouse	508,611	609,427
Spectera	5,016	5,309
Union Communication Services, Inc.	684	657
United Food and Commercial Workers Union Local 400	12,483	11,273
	$ 541,825	$ 645,616

BOND BEEBE
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October 14, 2011

Board of Trustees
UFCW Unions and Contributing
Employers Legal Benefits Fund
c/o Associated Administrators, LLC
4301 Garden City Drive, Suite 201
Landover, MD 20785-2219

Dear Board of Trustees:

We have audited the financial statements of UFCW Unions and Contributing Employers Legal Benefits Fund (the Plan) for the years ended December 31, 2010 and 2009, and have issued our report thereon. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated during our conversation with Mr. Tom McNutt on February 16, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Plan are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010. We noted no transactions entered into by the Plan during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No such misstatements were detected as a result of audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 14, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Plan's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Plan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Trustees and management of the UFCW Unions and Contributing Employers Legal Benefits Fund and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Bond Beebe

Bond Beebe, A Professional Corporation