

IMPORTANT CHANGES TO THE AMO 401(K) PLAN AND PENSION PLAN BASED ON THE PENSION PROTECTION ACT OF 2006

The Pension Protection Act of 2006 (“PPA”) was signed into law in August 2006. Many consider it as the most comprehensive piece of new pension legislation since ERISA was enacted in 1974. The following are a few highlights of the changes under the PPA.

AMO 401(k) PLAN

The PPA makes permanent certain changes made by EGTRRA – the Economic Growth & Tax Reconciliation Act – that were due to expire in 2010. These include catch-up contributions for participants age 50 and older, and Roth 401(k) contributions, as well as the higher limits on permitted contributions to retirement plans.

New Contribution Limits

Effective for 2007, the maximum amount of regular elective deferrals will increase from \$15,000 to \$15,500 (subject to the Plan maximum contribution of 75% of compensation). Participants 50 years of age or older may make additional catch-up contributions of up to \$5,000.

Rollovers

Effective January 1, 2007, non-spouse beneficiaries will be eligible to roll over a distribution from a qualified plan to an individual retirement account. In addition, direct rollovers of after-tax contributions may be made to another eligible plan or to an IRA. Effective January 1, 2008, participants will be able to roll over distributions to a Roth IRA.

If you would like to change your elective contribution percentage, change from a pre-tax contribution to a Roth contribution or for other changes to your elective contributions, please complete a new AMO 401(k) Elective Deferral/Withholding Authorization Form available on the Newport Group web site www.thebenefitsline.com, AMO Plans web site www.amoplans.com, through the AMO Plans office or through your employer, simply follow the instructions and return to your employer.

AMO PENSION PLAN

Lump Sum Benefits

Optional lump sum distributions under defined benefit plans, such as the AMO Pension Plan, are determined using certain interest and mortality assumptions. Currently, the interest rate is based on a 30-year Treasury rate and the mortality assumption is based on a 1994 Group Annuity Reserving mortality table. Under the PPA, the interest rate will be determined based on a three-tier corporate bond yield curve, and a new mortality table to be prescribed by the IRS.

These changes will not begin until 2008, and will be phased in over a period of four years, becoming fully effective in 2012. Since it is not known at this time what the corporate bond rates will be in 2008 and thereafter, and thus what the required interest rate assumption will be for determining lump sum amounts, it is impossible to provide concrete information on the impact of this change. Since corporate bond rates have been typically higher than U.S. Treasury rates, however, use of corporate bond rates may result in a higher assumed interest rate, which, all other factors being equal, would reduce the amount of lump sum distributions, especially for younger participants. On the other hand, a more up to date mortality table will in some cases offset the effect of the new interest rates.

Section 415 limits

Current law limits the annual benefit that may be paid under a defined benefit plan. Effective January 1, 2007, the maximum benefit will increase from \$175,000 to \$180,000.

For purposes of determining whether a lump sum distribution is within the 415 limitations, the PPA changes the interest rate assumption that must be used retroactive to the beginning of 2006. Under the PPA, the interest rate is the greatest of (1) 5.5%; (2) the rate specified under the Plan or (3) the rate that would produce a lump sum that is 105% of the lump sum determined using the interest rate under the lump sum rules. Thus, under the PPA the Pension Plan must use an interest rate of 5.5% in determining if lump sum payments in 2006 are within the Section 415 limits, compared to a 5% rate under the prior law.

Please feel free to contact AMO 401(k) and Pension Plan Investment Consultants, Larry Goldstock, Sam Brandwein or any of their team members at Smith Barney, toll free at (800) 975-7061, regarding your 401(k) Plan, retirement planning, pension distributions or to discuss this legislation and how it may affect you. In addition, you may always contact the Plan office at (800) 348-6515 or through e-mail amopension@amoplans.com or amo401k@amoplans.com.