

Fortune Brands Home & Security, Inc.

Form 11-K

June 26, 2013

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 11-K**

x **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2012**

**Commission file number 1-35166**

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:  
**FORTUNE BRANDS HOME & SECURITY RETIREMENT SAVINGS PLAN**

B. Name of the issuer of the securities held pursuant to the plan and the address of its principal executive office:  
**FORTUNE BRANDS HOME & SECURITY, INC.**

**520 Lake Cook Road**

**Deerfield, Illinois 60015**



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**Fortune Brands Home & Security Retirement Savings Plan**

**December 31, 2012 and 2011**

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Exhibit 23.1 Consent of Independent Registered Public Accounting Firm Grant Thornton LLP

**Note:** Other supplemental schedules required by the Employee Retirement Income Security Act have been omitted because such supplemental schedules are not applicable to the Fortune Brands Home & Security Retirement Savings Plan.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Employee Benefits Administrative

Committee of Fortune Brands Home & Security, Inc.:

We have audited the accompanying statements of net assets available for benefits of Fortune Brands Home & Security Retirement Savings Plan (the Plan) as of December 31, 2012 and 2011, and the related statements of changes in net assets available for benefits for the year ended December 31, 2012, and the period from October 4, 2011 (the date the Plan was established) through December 31, 2011. 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2012 and 2011, and the changes in net assets available for benefits for the year ended December 31, 2012, and the period from October 4, 2011 through December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

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 at end of year) as of December 31, 2012 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. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has 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.

/s/ Grant Thornton LLP

Chicago, Illinois

June 26, 2013

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**Fortune Brands Home & Security Retirement Savings Plan**

**STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS**

**December 31, 2012 and 2011**

**(Dollars in thousands)**

|   | 2012              | 2011              |
|---|-------------------|-------------------|
| Assets  |                   |                   |
| Plan's interest in Fortune Brands Home & Security, Inc. |                   |                   |
| Defined Contribution Master Trust net assets            | \$ 384,064        | \$ 323,999        |
| Receivables   |                   |                   |
| Company contributions                                   | 2,463             | 1,371             |
| Participant contributions                               | 114               | 89                |
| Notes receivable from participants                      | 6,503             | 6,629             |
| Total receivables                                       | 9,080             | 8,089             |
| <b>NET ASSETS AVAILABLE FOR BENEFITS</b>                | <b>\$ 393,144</b> | <b>\$ 332,088</b> |

The accompanying notes are an integral part of these statements.

**Table of Contents****Fortune Brands Home & Security Retirement Savings Plan****STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS****December 31, 2012 and 2011****(Dollars in thousands)**

|   | Year Ended<br>December 31,<br>2012 | October 4<br>through<br>December 31,<br>2011 |
|---|------------------------------------|--|
| <b>Additions</b>  |                                    |  |
| Allocated share of Fortune Brands Home & Security, Inc. |                                    |  |
| Defined Contribution Master Trust net investment income | \$ 51,950                          | \$ 30,331                                    |
| Interest income on notes receivable from participants   | 226                                | 56   |
| Company contributions                                   | 10,997                             | 3,058  |
| Participant contributions                               | 20,629                             | 3,785  |
| Rollover contributions                                  | 2,455                              | 500  |
| <b>Total additions</b>                                  | <b>86,257</b>                      | <b>37,730</b>                                |
| <b>Deductions</b>                                       |                                    |  |
| Benefits paid to participants                           | 25,581                             | 3,468  |
| <b>Net increase prior to transfers</b>                  | <b>60,676</b>                      | <b>34,262</b>                                |
| Net transfers into the Plan (See Notes A and C)         | 380                                | 297,826                                      |
| <b>NET INCREASE</b>                                     | <b>61,056</b>                      | <b>332,088</b>                               |
| Net assets available for benefits                       |                                    |  |
| Beginning of period                                     | 332,088                            |  |
| End of period   | \$ 393,144                         | \$ 332,088                                   |

The accompanying notes are an integral part of these statements.

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**Fortune Brands Home & Security Retirement Savings Plan**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2012 and 2011**

**(Dollars in thousands)**

**NOTE A DESCRIPTION OF PLAN**

***General***

The Fortune Brands Home & Security Retirement Savings Plan (the *Plan*) was established on October 4, 2011 when Fortune Brands Home & Security, Inc. ( *Home & Security* or *FBHS* ) was spun off into an independent, publicly-traded company. The Plan is designed to encourage and facilitate systematic savings and investment by eligible employees for their retirement. The Plan is a tax-qualified defined contribution retirement plan that is intended to comply with Section 401(k) of the Internal Revenue Code of 1986, as amended (the *Code* ) and is subject to various provisions of the Code and the Employee Retirement Income Security Act of 1974, as amended ( *ERISA* ).

In connection with the establishment of the Plan on October 4, 2011, FBHS participants and their assets totaling \$297,632 were transferred from a retirement savings plan maintained by Fortune Brands, Inc., the former parent company ( *Fortune* or *Former Parent* ) of Home & Security to the Plan. (See Note C *Transfers to and from the Plan*)

FBHS and each of its operating company subsidiaries participating in the Plan are referred to collectively as the *Companies* and individually as a *Company*. Operating company subsidiaries that participated in the Plan during the year ended December 31, 2012 and the period October 4, 2011 through December 31, 2011 include: MasterBrand Cabinets, Inc.; Moen Incorporated ( *Moen* ); Therma-Tru Corp. ( *Therma-Tru* ), which includes Fypon LLC; Master Lock Company LLC; Waterloo Industries, Inc.; and Fortune Brands Windows, Inc., which includes Simonton Building Products, Inc., Simonton Industries, Inc., Simonton Windows, Inc. and SimEx, Inc.

The financial statements present the net assets available for benefits as of December 31, 2012 and 2011, and the changes in net assets available for benefits for the year ended December 31, 2012 and the period October 4, 2011 (the date the Plan was established) through December 31, 2011. The assets of the Plan are included in a pool of investments known as the Fortune Brands Home & Security, Inc. Defined Contribution Master Trust (the *Master Trust* ), along with the assets of the Fortune Brands Home & Security Hourly Employee Retirement Savings Plan. The Master Trust investments are administered and held by Fidelity Management Trust Company (the *Trustee* ).

The following provides a brief description of the Plan. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

***Contributions***

Plan contributions are held by the Trustee and accumulated in individual participant accounts. Pursuant to the terms of the Plan, participants may make tax-deferred contributions under Section 401(k) of the Code of up to 50% of eligible compensation (as defined under the Plan), subject to lower limits for highly compensated employees (as defined under the Code) who participate in the Plan. Each participant's annual tax-deferred contributions are limited by the Code to \$17 in 2012 and \$16.5 in 2011. In addition, during the year in which a participant attains age 50 and in subsequent years, the participant may elect to make additional unmatched, pretax catch up contributions of up to \$5.5 in 2012 and 2011.

Participants may also make after-tax contributions, but the sum of tax-deferred contributions and after-tax contributions may not exceed 50% of eligible compensation (lower limitations apply to participants who are highly compensated employees). If a participant reaches the limitations on tax-deferred contributions as described above, the participant may elect to have the tax-deferred contributions automatically switch to after-tax contributions.

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**Fortune Brands Home & Security Retirement Savings Plan**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2012 and 2011**

**(Dollars in thousands)**

Participants that are eligible to make tax-deferred contributions may roll over balances from another eligible tax-qualified retirement plan or individual retirement account into the Plan. Eligible employees who have neither enrolled in the Plan nor affirmatively declined enrollment in the Plan become automatically enrolled in the Plan and are deemed to have elected to make tax-deferred contributions equal to 3% of their eligible compensation. In addition, participants making tax-deferred contributions automatically have their contribution rate increased by 1% on the first payroll period for which it is administratively feasible following May 1 of each year unless they affirmatively declined participation in the automatic increase program. This automatic deferral increase program does not apply to participants who are deferring 6% or more of their eligible compensation. Participants may elect to change or discontinue their participation in the automatic enrollment and automatic deferral rate increase programs at any time.

All of the Companies, except Therma-Tru, provide a matching contribution (in varying amounts stated in the Plan) on a participant's elective pre-tax contributions. Therma-Tru provides a Qualified Nonelective Contribution ( QNEC ) on behalf of each of its employees who is an eligible participant. The QNEC is made each payroll period and is equal to 3% of compensation,

Also, both FBHS and Moen made profit-sharing contributions on behalf of each of their eligible employees in 2012 and 2011. In addition to QNECs, Therma-Tru has the discretion to make profit-sharing contributions to eligible participants in a given year. Therma-Tru made a profit-sharing contribution in 2012; however, no profit-sharing contribution was made in 2011. For more information on the amount of contributions provided by each Company, refer to the Plan document, which is available from the Plan administrator.

Participants may direct the investment of their accounts in the available investment funds under the Plan. The Plan makes various investment funds available to participants, including assets invested in an FBHS common stock fund, which gives participants the option to own shares of FBHS common stock. The Plan designates the FBHS common stock fund of the Plan as being held by an employee stock ownership plan ( ESOP ).

The Former Parent's retirement savings plan included the Former Parent's common stock as an investment fund. When the Plan was established on October 4, 2011, participants who were invested in the Former Parent's common stock fund under the Former Parent's retirement savings plan as of September 20, 2011 received one share of Home & Security common stock and one share of Beam Inc. common stock for every share of Fortune common stock held. The FBHS common stock fund and a Beam Inc. common stock fund were included in the Plan when it was established. Shares of FBHS and Beam Inc. were transferred to the Plan from the Former Parent's plan in kind. Participants had the ability to transfer out of the Beam Inc. common stock fund at any time but were not permitted to make additional investments into the fund.

Effective June 29, 2012, the Beam Inc. stock fund was eliminated as an available investment option under the Plan. Participants invested in the Beam Inc. stock fund had until June 29, 2012 to sell their shares and invest their proceeds in any of the other available investment options under the Plan. The Plan sold any shares of Beam Inc. common stock remaining in the Plan on June 29, 2012. If participants did not otherwise make a new investment election to apply to the funds previously invested in the Beam Inc. stock fund, the Plan invested the proceeds of the sale of the Beam Inc. stock fund in a default investment.

Participant account balances are maintained to reflect each participant's beneficial interest in each of the investment funds available under the Plan. Participant account balances are increased by participant and Company contributions (including rollovers from other plans) and decreased by the amount of withdrawals and distributions.



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**Fortune Brands Home & Security Retirement Savings Plan**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2012 and 2011**

**(Dollars in thousands)**

Income and losses on Plan assets are allocated to participants' accounts based on the ratio of each participant's account balance invested in an investment fund to the total of all participants' account balances invested in that fund as of the preceding valuation date.

***Vesting***

Participants are immediately vested in their own contributions and QNECs, plus earnings on those contributions. Vesting in the Company matching contributions, plus earnings on those contributions, occurs after one year of service. Certain employer groups have varying vesting schedules, outlined in the Plan document, as described below.

Participants (other than Moen and Therma-Tru participants) vest in the Companies' annual profit-sharing contribution plus related earnings based on the earliest to occur of the following: (1) retirement under a Company pension plan; (2) death; (3) termination of employment due to disability; (4) attainment of normal retirement age (generally 65); (5) termination of employment without fault, or (6) years of service as summarized below:

| Number of<br>years of service | Percentage<br>vested |
|-------------------------------|----------------------|
| Less than 1                   | 0%                   |
| 1 but less than 2             | 20                   |
| 2 but less than 3             | 40                   |
| 3 but less than 4             | 60                   |
| 4 but less than 5             | 80                   |
| 5 or more                     | 100                  |

Moen participants are 100% vested in the Moen profit-sharing account after three years of service or under any earlier event described above.

Therma-Tru participants are 100% vested in the Therma-Tru profit-sharing account at all times.

***Forfeitures***

On December 31, 2012 and 2011, forfeited nonvested accounts totaled \$34 and \$59, respectively. These accounts will be used to reduce future Company contributions or will be used to pay Plan expenses. Company contributions were reduced by \$132 and \$32 during the year ended December 31, 2012 and the period October 4, 2011 through December 31, 2011, respectively, from forfeited nonvested accounts.

***Notes Receivable from Participants***

A participant may apply for up to two loans of at least \$1 each from the vested portion of the participant's account balance (excluding the portion in certain subaccounts) in an amount which does not exceed one-half of the participant's vested balance, provided that the loans also do not exceed \$50. Any requested loans are also reduced by other loan amounts outstanding under the Plan within the previous twelve months. The term of any loan shall not exceed five years, unless the loan is related to the purchase of the participant's principal residence.

Each loan bears a rate of interest commensurate with prevailing market rates at the time of issuance. Repayment is made by payroll deduction so that the loan is repaid over the term of the loan.



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**Fortune Brands Home & Security Retirement Savings Plan**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2012 and 2011**

**(Dollars in thousands)**

*Distributions and Withdrawals*

Benefits are payable from a participant's account upon a participant's death, retirement or other termination of employment and are generally payable in a lump sum or in installment payments (with the exception of money purchase amounts from prior plans, which can be distributed in annuity form). The Plan also permits in-service withdrawals to be made by participants who have incurred a hardship as defined in the Plan, who have attained age 59-1/2, or who are performing qualified military service as described in the Plan. Eligible rollover distributions may be rolled over into a traditional or Roth IRA.

**NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ( GAAP ).

*Adoption of New Accounting Guidance*

In May 2011, the Financial Accounting Standards Board ( FASB ) issued guidance clarifying how to measure and disclose fair value. This guidance amends the application of existing fair value measurement requirements, while other amendments change a particular principle in existing fair value measurement guidance. In addition, this guidance requires additional fair value disclosures, although certain of these new disclosures are not required for nonpublic entities. The amendments were applied prospectively and were effective for annual periods beginning after December 15, 2011. The amended guidance did not have a material effect on the Plan's financial statements.

*Use of Estimates*

The preparation of the Plan's financial statements in conformity with GAAP requires the Plan administrator to make estimates and assumptions that affect the reported amounts of net assets available for Plan benefits at the date of the financial statements and the changes in net assets available for Plan benefits during the reporting period and, when applicable, the disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

*Investment Valuation*

The Plan's investments are reflected at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

The Plan's management established a three-tiered hierarchy of inputs to establish a classification of fair value measurements for disclosure purposes. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

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**Fortune Brands Home & Security Retirement Savings Plan**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2012 and 2011**

**(Dollars in thousands)**

The three levels of the fair value hierarchy are as follows:

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including:

1. Quoted prices for similar assets or liabilities in active markets.
2. Quoted prices for identical or similar assets or liabilities in inactive markets.
3. Inputs other than quoted prices that are observable for the assets or liabilities (including volatilities).
4. Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 inputs are unobservable for the asset or liability (including the entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability) and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Plan management uses the following methods and significant assumptions to estimate fair value of investments. There have been no changes in the methodologies used at December 31, 2012 and 2011.

The Plan's investment in the Master Trust is presented at fair value, which has been determined based on the fair value of the underlying investments of the Master Trust.

The investments held by the Master Trust are valued as follows:

Interest bearing cash: Valued at cost plus earnings from investments for the period, which approximates fair market value due to the short-term duration.

Mutual funds: Valued at the NAV of shares held by the plan at year end, which is obtained from an active market.

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Collective trust funds: Valued at the net asset value ( NAV ) of units of each bank collective trust. The NAV, as provided by the trustee, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the funds less their liabilities. This practical expedient is not used when it is determined to be probable that a fund will sell the investment for an amount different than the reported NAV. Participant transactions (purchases and sales) may occur daily. Were the Plan to initiate a full redemption of a collective trust, the investment advisor generally reserves the right to temporarily delay withdrawal from the trust in order to ensure that securities liquidations will be carried out in an orderly business manner.

Common stock: Valued at the closing price reported on the active market on which the security is traded.

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**Fortune Brands Home & Security Retirement Savings Plan**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2012 and 2011**

**(Dollars in thousands)**

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

See *Note D Investment in Master Trust* for the investments held in the Master Trust as of December 31, 2012 and 2011, by level within the fair value hierarchy.

***Notes Receivable from Participants***

Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Interest income is recorded on the accrual basis. Related fees are recorded as administrative expenses and are expensed when they are incurred. No allowance for credit losses has been recorded as of December 31, 2012 or for the period October 4, 2011 through December 31, 2011. If a participant ceases to make loan repayments and the plan administrator deems the participant loan to be in default, the participant loan balance is reduced and a benefit payment is recorded.

***Income Recognition***

Security transactions are accounted for on the trade-date basis. Dividend income is accrued on the ex-dividend date. Interest income is recorded on the accrual basis. Net realized and unrealized (depreciation) appreciation, along with dividend income and interest income not from notes receivable from participants are recorded in the accompanying statements of changes in net assets available for benefits as allocated share of Fortune Brands Home & Security, Inc. Defined Contribution Master Trust investment income.

***Benefits Paid to Participants***

Distributions and withdrawals are recorded when paid.

***Operating Expenses***

Certain investment expenses incurred by the Plan are netted against earnings prior to allocation to participant accounts and are recorded in the accompanying statements of changes in net assets available for benefits as allocated share of Master Trust investment income. Participants accounts are directly charged for certain administrative expenses and any remaining expenses are paid directly by the Plan Administrator's service credits.

**NOTE C TRANSFERS TO AND FROM THE PLAN**

Transfers between the Plan and the Fortune Brands Home & Security Hourly Employee Retirement Savings Plan occur due to participant changes in status from hourly to salaried, or vice versa, or transfers between operating companies ( status change transfers ). In addition, on October 4, 2011, in connection with the establishment of the Plan, there was a transfer from the Former Parent's retirement savings plan into the Plan. Transfers for the year ended December 31, 2012 and the period October 4, 2011 through December 31, 2011 are summarized below:

**Table of Contents****Fortune Brands Home & Security Retirement Savings Plan****NOTES TO FINANCIAL STATEMENTS (CONTINUED)****December 31, 2012 and 2011****(Dollars in thousands)**

|   | Year Ended<br>December 31,<br>2012 | October 4<br>through<br>December 31,<br>2011 |
|---|------------------------------------|--|
| Transfer from Former Parent's plan for Plan establishment | \$                                 | \$ 297,632                                   |
| Status change transfers into the Plan                     | 445                                | 253  |
| Status change transfers from the Plan                     | (65)                               | (59)   |
| Net transfers into the Plan                               | \$ 380                             | \$ 297,826                                   |

**NOTE D INVESTMENT IN MASTER TRUST**

The investments of the Master Trust are maintained under a trust agreement with the Trustee. The value of the Plan's interest in the 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. The Plan had a total beneficial interest of approximately 75.70% and 74.67% in the Master Trust's net assets at December 31, 2012 and 2011, respectively. Investment income relating to the Master Trust is allocated to the individual plans on a prorated basis.

The Master Trust's net assets at December 31, 2012 and 2011 are as follows (in thousands):

|   | 2012           | 2011           |
|---|----------------|----------------|
| <b>Assets</b>   |                |                |
| Investments, at fair value                            |                |                |
| Interest bearing cash                                 | \$ 32,078      | \$ 31,241      |
| Mutual funds  | 278,798        | 215,880        |
| Collective trust funds                                | 180,169        | 138,829        |
| Common stock  | 16,255         | 48,232         |
| <b>Total investments</b>                              | <b>507,300</b> | <b>434,182</b> |
| Due from brokers                                      | 41             | 310            |
| <b>Total assets</b>                                   | <b>507,341</b> | <b>434,492</b> |
| <b>Liabilities</b>                                    |                |                |
| Other payables  |                | 62             |
| Due to brokers  |                | 503            |
| <b>Total liabilities</b>                              |                | <b>565</b>     |
| Net assets of the Master Trust available for benefits | \$ 507,341     | \$ 433,927     |





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The net appreciation in fair value of investments, interest income, dividend income and administrative expenses related to the Master Trust for the year ended December 31, 2012 and the period October 4, 2011 through December 31, 2011, are as follows (in thousands):

|   | Year Ended<br>December 31,<br>2012 | October 4<br>through<br>December 31,<br>2011 |
|---|------------------------------------|--|
| Net appreciation in fair value                                    |                                    |  |
| Mutual funds  | \$ 29,121                          | \$ 16,790                                    |
| Collective trust funds  | 18,753                             | 10,405                                       |
| Common stock  | 10,398                             | 8,794  |
| Net appreciation in fair value of investments of the Master Trust | 58,272                             | 35,989                                       |
| Interest income   | 260                                | 4  |
| Dividend income   | 8,828                              | 3,196  |
| Administrative expenses   | (945)                              | (26)   |
| Master Trust net investment income                                | \$ 66,415                          | \$ 39,163                                    |

The following tables present the Master Trust's investments by level within the fair value hierarchy as of December 31, 2012 and 2011 (in thousands):

|                       | 2012      |            |         | Total     |
|-----------------------|-----------|------------|---------|-----------|
|                       | Level 1   | Level<br>2 | Level 3 |           |
| Interest bearing cash | \$ 32,078 | \$         | \$      | \$ 32,078 |
| Mutual funds          |           |            |         |           |
| U.S. large cap equity | 135,044   |            |         | 135,044   |
| U.S. small cap equity | 43,029    |            |         | 43,029    |
| International equity  | 33,726    |            |         | 33,726    |
| Core fixed income     | 66,999    |            |         | 66,999    |
| Total mutual funds    | 278,798   |            |         |           |