NATIONAL AUTOMATIC SPRINKLER INDUSTRY

WELFARE FUND • PENSION FUND

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April 30, 2009

NATIONAL AUTOMATIC SPRINKLER INDUSTRY
PENSION FUND

As you know, 2008 was a difficult year in the financial markets. Although the National Automatic Sprinkler Industry Pension Fund (the “Pension Plan”) was healthy going into 2008, the Pension Plan, like virtually all other pension plans, suffered significant losses in 2008. The Pension Protection Act of 2006 (the “PPA”) imposes special requirements on trustees of multiemployer pension plans to take actions to protect the funding status of their plans. Accordingly, as required by the PPA, the Trustees of the Pension Fund have adopted the attached Rehabilitation Plan to address the Pension Plan’s funding issues.

The Trustees of the Pension Plan believe it is in the best interests of participants and contributing employers to take swift and decisive action to address the Pension Plan’s funding issues. Moreover, the Trustees recognize that the sprinkler industry has benefited from a longstanding practice of providing uniform benefits to all participants at a single contribution rate. To that end, the Trustees are garnering industry-wide support to adopt a single plan of action to address the Pension Plan’s funding issues. The plan of action is the “Preferred Schedule” described in the attached Rehabilitation Plan.

The Preferred Schedule allows participants to continue to earn benefits at the current rate of $110 per pension credit, but provides for modest reductions in the early retirement subsidies provided to participants. Generally, the early retirement reduction for active participants who terminate covered service after attaining the right to receive early retirement benefits (this requires retiring after attaining age 55 and earning 15 pension credits) will be 2% per year for each year that the participant retires before age 61. Prior to this change, the early retirement reduction was 1% for each year prior to age 61. For example, if a participant with 20 pension credits retires from covered employment at age 55, the participant’s benefit will be $1,936 per month (i.e., 20 x $110 x 88%), under the old rules it would have been $2,068 per month (i.e., 20 x $110 x 94%). Active participants who retire before January 1, 2010, will not be affected by this change.

The early retirement reductions for terminated vested participants under the Preferred Schedule will be much higher. For example, under the Preferred Schedule the benefits paid to a terminated vested participant who retires at age 55 with be reduced by 61.92% from the benefit that would have been paid to the participant at age 65. The change will apply to all terminated vested participants whose benefit commencement date is on or after June 1, 2009; provided that the change shall not commence with respect to benefits paid before the date that is 30 days after the participants are notified of the change.

To avoid having to cut benefits further, it will be necessary to increase contributions to the Pension Plan. Under the Preferred Plan, employer contributions will increase to $4.70 per hour effective

July 1, 2009 and $5.20 per hour effective January 1, 2010. These increases will come out of the employees' current wage and benefits package.

It is anticipated that all Sprinkler Local Unions and contributing employers will agree to adopt the Preferred Schedule by June 30, 2009. As noted in the Rehabilitation Plan, under certain circumstances surcharges may be imposed on required contributions to the Pension Fund for contributions relating to services provided in June 2009 and thereafter. If the bargaining parties agree to adopt the Preferred Schedule by June 30, 2009, these surcharges can be avoided. As required by law, the Rehabilitation Plan also includes the so-called "Default Schedule", which results in more severe benefit cuts. The Default Schedule will not apply so long as the bargaining parties agree to adopt the Preferred Schedule by June 30, 2009.

Contributing employers and Sprinkler Local Unions have a long history of responsibly working together for the betterment of the industry. The Trustees' adoption of the Preferred Schedule is consistent with that spirit. If you have any questions about the Rehabilitation Plan, you may contact the Pension Fund office at (301) 577-1700.

Sincerely,

Board of Trustees

REHABILITATION PLAN OF THE
NATIONAL AUTOMATIC SPRINKLER INDUSTRY
PENSION FUND

I. INTRODUCTION

The Pension Protection Act of 2006 (the "PPA") imposes special requirements on multiemployer pension plans to protect their funding status. Under these rules, multiemployer pension plans, such as the National Automatic Sprinkler Industry Pension Fund (the "Pension Plan"), must undergo annual actuarial certifications of their funding status. If a plan's funding status does not meet certain requirements, the plan must take steps to address the funding issue.

On March 31, 2009, the Pension Plan's actuary issued a certification that the Pension Plan was in "critical status", as defined under the PPA, for the plan year beginning January 1, 2009. In response to the certification, the Board of Trustees of the Pension Plan has adopted this Rehabilitation Plan to comply with the requirements of the PPA. Specifically, this Rehabilitation Plan has been designed so that the Pension Plan can emerge from critical status within the statutory period provided for by the PPA.

II. EFFECTIVE DATES

This Rehabilitation Plan is effective April 30, 2009 and consists of two schedules, the Preferred Schedule and the Default Schedule. These schedules set forth the alternative benefits and contribution alternatives that will be permitted under the Pension Plan. The Participating Employers and participating Sprinkler Local Unions (the "Bargaining Parties") are ultimately responsible for selecting which schedule will apply to the Participating Employer and their participating employees. For purposes of the Rehabilitation Plan, a Participating Employer includes any employer who is required to make contributions to the Pension Plan under a collective bargaining agreement, participation agreement, other agreement, or pursuant to applicable law. Additionally, for purposes of the Rehabilitation Plan, any reference to a collective bargaining agreement also means any participation agreement, assent agreement or other agreement pursuant to which an employer is participating in the Pension Plan.

The Preferred Schedule will only be offered through June 30, 2009. Accordingly, the Bargaining Parties should understand that if they do not agree to the Preferred Schedule by such date, the Default Schedule may be their only option when their current collective bargaining agreement expires. In other words, if the Preferred Schedule is not accepted by the Bargaining Parties prior to June 30, 2009, the Default Schedule may be imposed on the parties no later than 180 days after the expiration of the collective bargaining agreement in effect immediately prior to April 30, 2009. In the case of a Participating Employer that contributes to the Pension Plan on behalf of solely non-bargained employees, the agreement to participate between the Participating Employer and the Pension Plan will be treated solely for purposes of the Rehabilitation Plan as automatically expiring on January 1, 2010. In the case of a Participating Employer that contributes to the Pension Plan with respect to both employees who are covered by one or more collective bargaining agreements and employees who are not so covered, benefits of and contributions for the nonbargained employees, including surcharges on those contributions, shall be determined as if those nonbargained employees were covered under the first to expire of the Participating Employer's collective bargaining agreements in effect when the Pension Plan entered critical status.

Any Participating Employer who fails to adopt the Preferred or Default Schedule by June 30, 2009 will be considered to be a “Transitional Employer”. Contributions made by Transitional Employers will be subject to a surcharge for contributions owed after June 1, 2009, as mandated under the PPA. Such surcharge shall be an amount equal to 5% of the contributions relating to work performed on or after June 1, 2009. Beginning January 1, 2010, the surcharge will increase to 10% for contributions relating to work performed on or after that date. The surcharge shall continue until the Bargaining Parties agree to their continued participation in the Pension Plan pursuant to a schedule that has been approved by the Trustees or the Default Schedule is imposed in accordance with the PPA.

No surcharge shall be imposed on contributions if the Bargaining Parties agree to make contributions pursuant to the Preferred Schedule or Default Schedule and such agreement is entered into on or before June 30, 2009. For purposes of determining liability for the surcharge, an agreement to adopt the Preferred Schedule or Default Schedule shall be treated as having an effective date as of the date the agreement is executed, even if the agreement requires subsequent ratification by union members (provided, of course, that the union members ratify the agreement). Additionally, no surcharges shall be imposed with respect to contributions made by Participating Employers who make contributions under a collective bargaining agreement that automatically requires contributions that are consistent with the Preferred Schedule (e.g., if contributions under the collective bargaining agreement are paid based on another agreement that calls for contributions that are consistent with the Preferred Schedule). Furthermore, such Participating Employers shall be deemed to have adopted the Preferred Schedule.

III. THE PREFERRED SCHEDULE OF THE REHABILITATION PLAN

Adoption of the Preferred Schedule results in less severe benefit reductions for participants than the Default Schedule. However, as noted above, the Preferred Schedule must be adopted no later than June 30, 2009. Thereafter, the Preferred Schedule may no longer be available, and the harsher Default Schedule may be the only choice available to the Bargaining Parties.

The terms of the Preferred Schedule are, as follows:

1. Early retirement reduction factors are revised under the Preferred Schedule

Currently, if a participant who is eligible for early retirement benefits retires before age 61, the participant’s benefit that would otherwise be paid at age 61 is reduced 1% per year for each year that benefits commence before age 61. Under the Preferred Schedule, the early retirement reduction for “Active Participants” who retire on or after January 1, 2010 will be 2% per year for each year that benefits commence before age 61. An “Active Participant” is a participant who has satisfied the Pension Plan’s requirements to receive early retirement benefits and who is not a “Terminated Vested Participant”.

For purposes of this Rehabilitation Plan, a Terminated Vested Participant is a participant who has attained vested status and commences retirement benefits after incurring a break in continuity under Section 7.06(c) of the Pension Plan. With certain exceptions set forth in Section 7.06(c) of the Pension Plan, a Participant is generally deemed to have incurred a break in continuity if he fails to earn two-tenths (.2) of a pension credit during a period of two (2) complete consecutive calendar years. A participant will not be a Terminated Vested Participant if the participant has not incurred a break in continuity under Section 7.06(c) of the Pension Plan. As noted above, a participant who incurs a break in continuity under Section 7.06(c) of the Pension Plan will be treated as a Terminated Vested Participant for purposes of the Rehabilitation Plan. A Terminated Vested Participant can regain status as an Active Participant under this Rehabilitation Plan if, subsequent to a break in continuity, the participant returns to covered employment and earns years of vesting service at least equal to the total number of years which constituted the break(s) in continuity. However, if a participant is treated as incurring a break in continuity under Section 7.06(c) of the Pension Plan and earns pension credits after such break in continuity but has not regained Active Status as described above, the participant will be treated as a Terminated Vested Participant with respect to the pension credits the participant earned prior to his break in continuity, but not for pension credits earned after the break in continuity (assuming that the participant does not incur another break in continuity).

The early retirement benefit for Terminated Vested Participants who have a benefit commencement date on or after June 1, 2009, will be calculated by applying the full actuarial equivalent reduction to the participant’s normal retirement benefit that commences at age 65. Under these rules, the cumulative early retirement reduction for benefits commenced prior to age 65 are as follows:

Age	Cumulative Benefit Reduction
64	9.91%;
63	18.67%;
62	26.43%;
61	33.34%;
60	39.49%;
59	44.99%;
58	49.92%;
57	54.35%;
56	58.33%; and
55	61.92%

The above changes to the early retirement factors for Terminated Vested Participants who retire on or after June 1, 2009 will take place as soon as permitted under the PPA (generally, the change will apply to benefits that are paid at least 30 days after the date such participant receives notice of the change).

2. Contribution Rates are increased under the Preferred Schedule

The Preferred Schedule requires the following Participating Employer contributions:

- Effective for contributions due on or after July 1, 2009: $4.70 per hour.
- Effective for contributions due on or after January 1, 2010: $5.20 per hour.
- Effective for contributions due on or after January 1, 2012: $5.35 per hour.
- Effective for contributions due on or after January 1, 2013: $5.50 per hour.
- Effective for contributions due on or after January 1, 2014: $5.65 per hour.
- Effective for contributions due on or after January 1, 2015: $5.80 per hour.
- Effective for contributions due on or after January 1, 2016: $5.95 per hour.
- Effective for contributions due on or after January 1, 2017: $6.10 per hour.
- Effective for contributions due on or after January 1, 2018: $6.25 per hour.
- Effective for contributions due on or after January 1, 2019: $6.40 per hour.

IV. THE DEFAULT SCHEDULE OF THE REHABILITATION PLAN

The adoption or imposition of the Default Schedule will result in significant benefit reductions for Participants. Under the Default Schedule, the following benefit reductions shall apply:

1. Early retirement reduction factors are revised under the Default Schedule.

The early retirement reduction for Active Participants will be 5% per year for each year that benefits commence before age 65, and the early retirement reduction described in the Preferred Schedule for Terminated Vested Participants shall apply to all Terminated Vested Participants under the Default Schedule. Such changes in the reduction factors shall apply to each participant who has a benefit commencement date on or after June 1, 2009; provided that the new early retirement reduction factors shall not apply to benefits paid before the first date that such new factors may be applied under the PPA. Generally, this means: (i) for Terminated Vested Participants, the change will apply to benefits that are paid at least 30 days after the date such participant receives notice of the change, and (ii) for Active Participants, the change will apply to benefits paid after the date the participant's employer's collective bargaining agreement provides for the Default Schedule or, if later, the date the Default Schedule is imposed on the participant's employer.

2. Reduction of future benefit accrual rate under the Default Schedule.

The future benefit accrual rate for service shall be reduced from the current rate of $110 per pension credit to $67 per pension credit. This change shall apply to benefits earned on or after the first day of the calendar year after the date that the Default Schedule applies to the employer under the PPA (generally, this is the date the participant's employer's collective bargaining agreement provides for the Default Schedule or, if later, the date the Default Schedule is imposed on the participant's employer).

As set forth in Section II above, if the Preferred Schedule is not accepted by the Bargaining Parties on or prior to June 30, 2009, the Default Schedule will be imposed on the earlier of: (i) the date the Bargaining Parties agree to the Default Schedule; or (ii) 180 days after the expiration of the collective bargaining agreement in effect immediately prior to April 30, 2009.

V. TERMINATED VESTED PARTICIPANTS

The early retirement reduction described in the Preferred Schedule for Terminated Vested Participants shall apply to each Terminated Vested Participant who has a benefit commencement date on or after June 1, 2009; provided that the new early retirement reduction factors shall not apply to benefits paid before the first date that such new factors may be applied under the PPA. Generally, this means the change will apply to benefits that are paid to such Terminated Vested Participants at least 30 days after the date such participant receives notice of the change

VI. MODIFICATIONS

The Board of Trustees of the Plan will review the Rehabilitation Plan each plan year and reserves the right to make any modifications to this Rehabilitation Plan that it deems necessary or appropriate. Additionally, the Board of Trustees has the sole discretion to interpret or construe the terms of the Rehabilitation Plan, and its decisions are binding on all parties.

VII. ANNUAL FUNDING

As required by the PPA, the Trustees hereby adopt the following annual standards to meet the goals of the Rehabilitation Plan:

Credit Balance on December 31:	Annual Standard ($millions)
2011	$300
2012	$250
2013	$175
2014	$100
2015	$0
2016	($100)
2017	($200)
2018	($250)
2019	($250)
2020	($225)
2021	($200)
2022	($175)
2023	($150)
2024	($75)
2025	$0