EXHIBIT 10
SHEET METAL WORKERS LOCAL PENSION PLAN

SECTION 6.09 NARRATIVE STATEMENT OF THE REASONS THE PLAN IS IN CRITICAL AND DECLINING STATUS

A. INTRODUCTION.

Pared to the essentials, contribution and investment income have simply not been adequate, when measured against the Plan's vested benefit obligations, to permit the Plan to avoid the Plan's descent to insolvency. Significantly reduced work hours and prior plan design providing benefit improvements for past service have also played a role in the Plan's financial decline. Finally, the Plan is "mature". The ratio of active to non-active participants is imbalanced and unsustainable. Contributions tied to the hours worked by active participants are not adequate to pay for the unfunded benefits of the Plan. In combination these historical factors explain the Plan's recent and current "critical and declining status" and the Trustees application for suspension of benefits.

B. HISTORICAL CONTEXT.

From the mid-1980s through 1999 the Plan experienced generally good and always positive investment returns. The bursting of the dot-com bubble in the early 2000s hurt the Plan's funding but likely not mortally. In 2005, for example, the Plan's funded ratio was 67% based on the market value of its assets and a funding deficiency (negative credit balance) was forecast by the end of Plan Year 2008. In response, the Trustees reduced the percentage of contribution accrual rate for future benefits to .36% from 2.2%. As a result, the Plan's funded ratio in 2006 remained at 67%, but the date of the projected funding deficiency was pushed out to 2016. Also in 2006 the Plan experienced a 6.3% drop in the size of the active participant population, reducing the stream of contribution income available to pay down prior unfunded benefits. It is conceivable that with the reduced accrual rate and good investment returns the Plan may have improved its funding levels, but this did not account for the financial crisis of 2008 and the resulting "Great Recession" which damaged the Plan irreparably.

On the investment side of the equation during plan years 2000-2016the Plan's minimum funding valuation interest assumption net of investment-related expenses was (currently) 8.0% per annum. Unfortunately, the Plan's investment performance for 2008 and 2011 was -30.8% and -7.9%, respectively. While in other post-2008 years the Fund had positive rates of return, the Fund has only earned back approximately $1 million of the $18 million investment loss from the plan year ended April 30, 2009. To put it bluntly, the 2008 crisis set the Plan into a financial hole out of which only unprecedented positive future returns could possibly save it. This could not reasonably be predicted to occur, nor can the existing contribution base make up the shortfall in investment performance. As a result of the historic losses of 2008 the Plan's market value funded percentage in 2009 was only 40%. While this ratio fluctuated in the years since 2009 (reaching a high water mark of 53 in 2011), the Plan has been certified to be in critical status in every year since 2009. The Plan's most recent market value funded percentage, as of May 1, 2017, is 40%, unimproved since 2009.

Additionally, the Plan's work hours have fallen from their historic highs as foreshadowed in 2006 and are not reasonably projected to return to those levels.Although the Trustees expect hours to stabilize in the future, those hours are inadequate to fund prior unfunded benefit obligations. From 2001 to 2005, the Plan experienced work hours that averaged approximately 1.4 – 1.5 million hours total. From 2008 through 2016 the Plan's reported work hours were a low (2010) of 922,328 and a high (2016) of 1,126,133. It is also notable that in some years in which the Plan experienced better work hour totals, its investment returns were poor. For example, in 2011 the Plan experienced a total of 1,034,107 hours but, as referenced above, its investments returned a -7.9%. The loss of half a million hours coupled with volatile investment returns has made it impossible for the Plan to recover to date. Based on expected future hours and expected future long-term investment returns used in the solvency analysis presented in the application, it is projected that there cannot be a recovery without the suspension of benefits.

Finally, the "mature" nature of the Plan exacerbates the current funding crisis and, most ominously, bodes very ill for the future of the Plan. In 2003 the Plan's demographics were 940 active to 567 inactive participants showing a ratio of 1.6 active for every inactive. In 2007, that ratio had moved decisively in the wrong direction, with 698 active to 776 inactive participants. As of the most recent actuarial valuation, there are 655 active and 908 inactive participants.

The history of the Plan as spelled out in these three data points – investment experience, hour loss/contribution reduction, and an increasingly mature demographic structure – were observed by the Trustees of the Plan who took many steps, indeed all reasonable measures, in an effort to stem the tide of financial decline. Unfortunately, these steps have not succeeded. Upon the certification of the Plan as "critical and declining" after the amendments to the Code and ERISA in 2014 (Kline-Miller Multiemployer Pension Reform Act) the Trustees, who are committed to seeing the Plan survive and pay promised benefits, directed their actuary and attorney to file the application for suspension of benefits.

C. DISCUSSION.

Upon its initial "critical" certification under the Pension Protection Act of 2006, the Trustees adopted a Rehabilitation Plan (July 1, 2009) which amended and was incorporated into the Plan document. As noted, the Plan continued in critical status until 2016 at which time it was certified as "critical and declining" (and was so certified again in 2017). Since the initial Rehabilitation Plan adoption the Trustees have eliminated *all* adjustable benefits under the Plan, excepting an increase to the Plan's normal retirement age.

The **benefit changes** under the Rehabilitation Plan demonstrate the consistent effort of the Trustees to arrest the financial decline of the Plan while maintaining an adequate benefit structure and economically realistic contribution rates, as follows:

Effective August 1, 2009 –

- Changed the normal form of benefit payment from a 5-year certain and life annuity to life-only annuity. Amounts payable under optional payment forms were thereafter to be actuarially adjusted to reflect their value relative to a life-only annuity.

- Increased the early retirement reduction factors from 3% per year prior to normal retirement age to actuarially equivalent reductions for the number of years prior normal retirement age.

- Eliminated the fully subsidized pop-up feature on joint & survivor payment forms. Participants who wished to elect a pop-up feature as part of a joint & survivor payment form were to pay for the feature with an actuarial reduction to their benefit.

- Eliminated the single lump-sum and 60-payment pre-retirement death benefits. The only pre-retirement death benefit to be offered would be the 50% survivor annuity payable to a surviving spouse of a deceased vested participant (payable beginning when the participant would have reached retirement age).

Effective August 1, 2013 –

- Benefit accruals for contributions made on or after August 1, 2013, were suspended (0% accruals) subject to annual review by the Trustees.

Effective September 1, 2013 –

- Temporary disability benefits were eliminated for applications received on or after September 1, 2013.

The Rehabilitation Plan also made significant **funding changes**:

- There were cumulative annual contribution rate increases of 10% in 2009, 2010, and 2011.

- There was a 14% contribution rate increase in 2012

The Trustees have further concluded that it is not economically feasible to increase contribution rates any further. Contribution rates have increased by at least 50% from the pre-2009 levels due to the Rehabilitation Plan. These contribution rate increases resulted in significant wage deferments to the Plan by its active participants and have made it very difficult for signatory contractors to remain competitive in the sheet metal construction market. The Trustees believe that additional contribution rate increases will result in a loss of members in the Union and will make it extremely difficult for the Union to attract new members. This will result in a *decrease* in future contributions to the Plan and would inevitably cause a net decrease in future funding of the Plan. Further contribution rate increases are therefore counterproductive to the goal of avoiding insolvency.

At present, any would-be contributing employer is faced with participation in a Plan that is projected to become insolvent and that imposes an almost punitive contribution rate, and for which new participants will accrue a 0% future benefit notwithstanding the deferral of wages into the Plan as contributions. Additionally, any would-be employer who commences participation in the Plan will face substantial withdrawal liability. Under these circumstances, it is the belief of the Trustees that no rational employer will be interested in signing a CBA that requires contributions to the Plan. The financial position of the Plan makes it practically impossible to attract new long-term participating employers.

The only response to this reality is for the Trustees to seek to retain the contribution base that the Plan has. This is reflected in the determination not to seek additional contribution rate increases from the existing employers, which would foresee ably lead to employer bankruptcies and likely uncollectible withdrawals.

Despite these efforts and utilization of every tool available, the market value funded percentage of the Plan (as discussed above) has not recovered. It is the same 40%[1] as it was at the time of the adoption of the Rehabilitation Plan - 40%.

D. CONCLUSION.

The accrual rate for future benefits is now 0% and has been so for 5 Plan Years. The Plan offers nothing to new participants. Even with the re-institution of a modest accrual rate, the elimination of adjustable benefits gives the Plan very little to offer. No increases in contribution rates can be imposed on the remaining base of contributing employers.

Based upon a careful and thorough analysis of all of the foregoing, it is the Trustees' prudent determination under Code §432(e)(9)(C)(ii) that the Plan is projected to become insolvent unless benefits are suspended as proposed in the application, even after all reasonable measures to avoid insolvency have been taken.

[1] The current 40% funded percentage is calculated based upon the Plan's change to a 6.5% liability interest rate from the prior rate of 8%. If the current figure were calculated using the 8% rate the current funded percentage would be 48%.