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DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

200447045

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

AUG 2 3 2004

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In re:

Company H =

Family H =

Company W =

This letter constitutes notice that your request of March 9, 2004, for a waiver of the minimum funding standard for the above-named plan for the plan year ending December 31, 2003, has been granted subject to the following condition:

> The Company will make contributions to the Plan in amounts sufficient to meet the minimum funding requirements for the Plan for the plan years ending December 31, . and December 31, , by September 15, and September 15, , respectively.

This conditional waiver has been granted in accordance with section 412(d) of the Internal Revenue Code ("Code") and section 303 of the Employee Retirement Income Security Act of 1974 (ERISA). The amount for which this waiver has been granted is the contribution that would otherwise be required to reduce the balance in the funding standard account to zero as of December 31,

Company H is privately owned and operated by Family H, and it maintains the Plan. Company H operates a foundry business specializing in premium-quality Company H has a for designing and producing complex , and is only one of a handful of companies worldwide that can produce of such complexity and precision. It is a key supplier of to the and industries. Family H also owns and operates Company W, which is affiliated with Company H due to common ownership and is in the same control group as Company H. However, Company W does not maintain the Plan. Company W exclusively produces the patterns and necessary tooling to form the into the required geometric shape in order to become part of the assembly, into which . . el is Company W also provides the necessary machining of final parts produced by Company H, and is capable of assembly work if required by the customer. Company H is particularly well-known for its

The economic downturn after the terrorist attacks of September 11, 2001, significantly affected the industry as commercial air travel dropped significantly, resulting in reduced and cancelled orders for new aircraft and job losses of up to 12% of the aerospace industry workforce. Company H's workforce dropped from employees prior to September 11, 2001, to in February , a drop of %. The industry also suffered a decline of 28% in the shipment of civilian aircraft and a decline of 8% in the shipment of military aircraft from 2001 to 2002. Since Company H's sales are strongly correlated with civilian and military aircraft sales, Company H's sales also suffered. Sales dropped from $ million in to $ million in , a drop of %. Although lower revenues, greater pricing pressure and productivity problems increased Company H's loss from $ to $ during the same period, an increase of %, net losses on operations improved slightly from $ d to $ Revenues increased to $ million in , an % increase, but the net loss on operations ballooned to $, an increase of %.

Company H has also struggled with capital reinvestment. Because Company H's net worth has dropped from $ to ($) , it is harder to find capital to reinvest in its highly technical business. Cash generation has been negative and Company H's assets are fully collateralized against its bank loans. During , Company H's primary creditor moved its credit to its workout division to adopt an exit strategy for Company H's debt. A turnaround specialist was hired to assess Company H's operations and review strategic alternatives. The specialist's findings resulted in the dismissal of Company H's president and chief operations officer. General and administrative expenses were cut, generating a monthly savings of $ The credit agreement with the primary creditor was renegotiated and extended, allowing Company H to make the necessary capital improvements to stay in business. Industry estimates are that, while demand for military and civilian aircraft will remain flat for , demand is firming, and increases of % in and % in are expected. Company H feels that management changes, administrative cost-cutting, capital reinvestment, and improvement in the aerospace industry will allow it to begin funding the plan again in As such, Company H has also requested a waiver of the minimum funding standard for the plan year ending December 31, . However, Company H's authorized representative has indicated that the quarterly payments for the plan year were made on April 15, and July 15, .

The prospects for Company H's recovery appear solid, but the Plan only has a funded current liability percentage of approximately %. Hence, the waiver for the plan year ending December 31, , has been granted, subject to the condition that the minimum funding requirement be met for the plan years ending December 31, and December 31, You agreed to these conditions in a letter dated July 29, (which was transmitted by facsimile). If this condition is not satisfied, the waiver is retroactively null and void.

Your attention is called to section 412(f)(1) of the Code and section 304(b) of ERISA which describe the consequences that would result in the event the plan is amended to increase benefits, to change the rate in the accrual of benefits, or to change the rate of vesting while any portion of the waived funding deficiency remains unamortized. Please note that the establishment of another retirement plan, or any amendment to other retirement plans maintained by the Company to increase the liabilities of those plans, would be considered an amendment for purposes of section 412(f) of the Code and section 304(b) of ERISA.

This ruling is directed only to the taxpayer that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited by others as precedent.

When filing Form 5500 for the plan year ending December 31, , the date of this letter should be entered on Schedule B (Actuarial Information). For this reason, we suggest that you furnish a copy of this letter to the enrolled actuary who is responsible for the completion of the Schedule B.

We have sent a copy of this letter to the Manager, EP Classification in and to your authorized representative pursuant to a power of attorney (Form 2848) on file in this office.

If you require further assistance in this matter, please contact

Sincerely yours,

E. Ann Trichilo

E. Ann Trichilo, Acting Manager
Employee Plans Actuarial Group 2