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

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

OCT 01 2004

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In re:

EIN:

Company =

Old Company =

This letter constitutes notice that waivers of the minimum funding standard have been granted for the above-named plans for the plan years ending December 31, 2003, subject to the following conditions:

(1) Within 60 days of the date of this letter, collateral, that is acceptable to the Pension Benefit Guaranty Corporation (PBGC), is provided to the Plan to secure the amount of the waived funding deficiency.

(2) The Company will make contributions to the Plans in amounts sufficient to meet the minimum funding requirements for the Plans for the plan years ending by

You agreed to these conditions in a letter dated September 21, 2004 (which was transmitted by facsimile). If these conditions are not satisfied for a plan, the waiver for that plan is retroactively null and void.

These conditional waivers have 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 amounts for which these conditional waivers have been granted are the contributions that would otherwise be required to reduce the balance in the funding standard accounts to zero as of

The Company was formed in to purchase the Old Company. The Company assumed all the disclosed liabilities of the Old Company, including sponsorship of the Salaried and Hourly Plans. The Company is a manufacturer of components requiring highly-specialized machining, welding and fabrication. The Company's customers include both government and commercial businesses, and its main product line is focused on the fabrication of and transportation equipment.

For many years, the Old Company was the dominant supplier of and transportation equipment in the U.S. However, due to a weak manufacturing economy and foreign competition, the Old Company suffered major losses in its customer base and government contracts. This had a negative impact on its revenue and also necessitated a reduction in its workforce to remain in business. In the Old Company suffered its worst level of contract bookings in its history. Without the cash flow generated by new contracts, the Old Company found itself in a substantial business hardship.

The hardship was aggravated by the Old Company's main commercial lender. Although the Old Company had never made a late payment on its loans, the commercial lender kept it on credit watch for many years, increasing interest rates and limiting credit available to the Old Company. The Old Company attempted to obtain new lenders, but negative equity and poor business performance prevented the Old Company from being able to replace its commercial lender. In mid- , the Old Company's senior management team and another management firm formed a new Company. The Company was formed to purchase the Old Company's stock. This transaction eliminated the negative equity on the Old Company's balance sheet, and the Company was able to obtain new commercial lenders with more favorable terms than the old commercial lender. The transaction was finalized in January .

As a result of its stronger balance sheet, the Company has been able to attract new customers. New bookings average $ per month for the first quarter of The Company expects additional new bookings throughout and later. The Company's financial forecasts show a projected increase of % in revenue for and an average of % for Profit margins are expected to increase an average of % during this same timeframe.

The Company has also restructured its secured and non-secured debt to provide additional cash, and both its revolver loan and subordinated loan repayment schedules have been pushed out to This should allow the Company to resume funding the Plans in

The Salaried Plan previously received a waiver of the minimum funding requirement for the plan year, and the Hourly Plan previously received waivers of the minimum funding requirement for the and plan years. Benefit accruals to the Salaried Plan were frozen effective , and the Company is in the process of negotiating a freeze on benefit accruals to the Hourly Plan with the Union representing the Company's hourly employees

Financial information provided by the Company shows increased revenues in the first quarter of and declining expenses, as well as improving profitability. This trend is supported by financial projections supplied by the Company. However, the Salaried and Hourly Plans are only and % funded, respectively, on a current liability basis. Hence, the waivers for the plan years ending , have been granted, subject to the conditions set forth above.

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 either of the plans 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 deficiencies remain 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 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 individual who is responsible for the completion of the Schedule B.

We have sent a copy of this letter to the Manager, EP Classification in A copy of this letter should be furnished to the enrolled actuary for the Plan.

If you require further assistance in this matter, please contact

Sincerely yours,

Carol D. Gold
Director, Employee Plans