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

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

SEP 15 2004

In re:

Company =

Division S =

Division T =

This letter constitutes notice that your request of March 11, 2004, for the above-named plan for a waiver of the minimum funding standard for the plan year ending December 31, 2003, has been granted subject to the following conditions:

(1) The Company will make the required quarterly contributions to the Plan in a timely manner for the plan years ending , and

(2) 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 , and by and , respectively.

Your authorized representative agreed to these conditions in a letter dated September 8, 2004 (which was transmitted by facsimile). If these conditions are not satisfied, the waiver is retroactively null and void.

This letter also constitutes notice that your request of September 2, 2004, for a modification of the conditions of a waiver of the minimum funding standard for the plan year ending , granted in a ruling letter dated has been granted. Condition 1 of the ruling letter dated is replaced by conditions 1 and 2 above, and condition 2 of the ruling letter dated , is renumbered condition 3. Your authorized representative agreed to this modification in a letter dated September 8, 2004 (which was transmitted by facsimile). If these conditions are not satisfied, the waiver for the plan year ending , is retroactively null and void.

The conditional waiver of the minimum funding standard has been granted in accordance with section 412(d) of the Code and section 303 of the 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 after payment of the amount required under section 412(b)(2)(C) of the Code to amortize the waiver for the plan year ending

The Company is a privately held corporation that provides services and products through its initial core business, Division S, that include information systems, communications systems, management and engineering services and manufacturing. Division T, acquired by the Company in manufactures a variety of special purpose electron devices used in both military and commercial applications by a variety of customers.

According to the Company, it has suffered a temporary substantial business hardship because it has not been able to achieve a positive cash flow from operations for due to several unprofitable contracts. New management has been hired to ensure successful implementation of the Company's goal to achieve positive cash flow for The Company has also implemented a new bid and proposal process to ensure that Division T generates profits from new contracts.

The Company feels that the new management changes, the new bid process and aggressive cost cutting will improve its financial performance. In fact, two of the Company's biggest customers have funded Division T's operations through cash infusions and cash advances of approximately $ These customers have also committed to advancing an additional $ for , and are expected to award major contracts Division T in

Division S remains profitable, and experienced a % in revenues in . Division S generated an operating cash flow of $ The Company indicates that this cash flow is only sufficient to meet current operating needs.

The Company's business hardship, while ongoing since , does appear to be temporary. While Division T has lost money every year since it was acquired in and has dragged down profitability of the Company as a whole, management changes and new manufacturing processes at Division T have improved the Company's financial outlook in Through , the Company is operating at a profit, although cash flow is still poor. However, information concerning sales trends for and provided by the Company show a marked upswing that should allow the Company to remain profitable and improve its cash position. Furthermore, the Company has secured the support of major customers and its defense business should continue to grow in light of recent world events. The Company has also indicated that it is fully committed to funding the Plan for it is up-to-date with the Plan's quarterly contributions and has budgeted the amount that needs to be made to the Plan by , to meet the minimum funding requirements for the plan year (i.e., the amortization amount for the waiver).

While the prospects for the Company's recovery appear solid, the Plan only has a funded current liability percentage of approximately % as of Hence, the waiver of the minimum funding standard for the plan year ending , has been granted subject to the conditions enumerated above, and the waiver of the minimum funding standard for the plan year ending has been modified as described 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 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 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 at

Sincerely yours,

James E. Holland, Jr., Manager
Employee Plans Technical