Significant Index No. 0412.06-00 Third Party Contacts – Company Employees, Members of Congress, and Organizations Representing Employees (11/02 – 3/03)

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

TAX EXEMPT AND GOVERNMENT ENTITIES DIVISION

APR 1 5 2003

T:EP:RA:T:A2

In re: Request for waiver of the minimum funding standard for

Company =

Dear

This letter constitutes notice that a conditional waiver of the minimum funding standard has been granted for the above-named pension plan for the plan year beginning January 1, 2003.

The conditional waiver has been granted in accordance with section 412(d) of the Internal Revenue Code (the "Code") and section 303 of the Employee Retirement Income Security Act of 1974 (ERISA). The amount for which the conditional waiver has been granted is the contribution that would otherwise be required to reduce the balance in the funding standard account of the plan to zero as of the end of the 2003 plan year.

The Plan was originally established in As of January 1, 2002, the Plan had approximately participants, including active participants, vested terminated participants, and pay-status retirees. As of January 1, 2002, the ratio of the fair value of Plan assets to the Plan's current liability was , while the ratio of the fair value of assets to the Plan's accrued liability was , based on a current liability of an accrued liability of and assets valued at

The contribution required to meet the minimum funding requirement for the 2003 plan year is approximately with approximately due each quarter, and approximately due by September 15, 2004.

The Company began service in 1926 and is currently the world's largest . The terrorist attacks of September 11, 2001, the economic recession that began in 2000, and world unrest due to the Iraq war have had a serious negative financial impact on the industry. Although the Company posted a net profit for the fiscal year ending December 31, 2000, the 2001 and 2002 fiscal years showed net losses in the with the net loss for the 2002 fiscal year exceeding the loss for the 2001 fiscal year.

In order to limit further losses, the Company eliminated expenses (on an annualized basis) by reducing capacity levels, cutting staff and employment levels, eliminating non-essential capital and spending commitments, and . Nevertheless, net after-tax losses and negative cash flows resulted in a decrease of the at the end of 2001 to by the end of 2002.

Through hedging and pre-purchase of , the Company has managed to limit its exposure to increased prices for the near future. The long-term outlook for prices will continue to have a substantial effect on the Company's prospects for recovery, as well as the industry as a whole.

The Company has stated that it should maintain a to manage risks and uncertainties that could arise from an extended economic downturn, a prolonged shortfall in revenue due to the actions of other and), spikes in costs, and consequences of the Iraq war (further increased costs and a decrease in The Company has stated that financing agreements with banks require the Company maintain a specified minimum amount of liquidity.

The Company has taken actions to effect recovery and increase cash flow. Such measures include the reduction of by approximately (. Additional measures include furloughing approximately employees in 2001, terminating approximately of management in 2001, eliminating bonuses for management for 2001 and delaying pay increases for senior management from 2001 to 2002, and eliminating senior management pay increases and bonuses for 2002 . The savings measures generated savings of over in 2001. The savings measures yielded permanent savings of in 2001, in 2002, and a projected in 2003. The Company has also entered into an alliance with other , in order to reduce costs and enhance revenue. On , the Company announced a system-wide eduction of . The Company also announced job cuts of 4,900 employees related to the reduction.

Although a complete recovery will depend on unknown factors, such as increased and lower prices, the measures taken by the Company lead it to project positive net earnings in the near future. Accordingly, this waiver has been granted subject to the following two conditions:

1. By July 15, 2003, the Company will provide the Plan with security in a manner satisfactory to the Pension Benefit Guaranty Corporation (PBGC) for the sum of the required quarterly contributions under section 412(m)(4) of the Code that are due on April 15, 2003 and July 15, 2003 (calculated as if no waiver for the 2003 plan year had been granted).

2. By October 15, 2003, the Company will either:

    a. Provide the Plan with security in a manner satisfactory to the PBGC for the remaining minimum funding requirement for the 2003 plan year (after taking into account the two quarterly contributions for which security is required to be arranged under Condition 1 above), or

    b. Amend the Plan to cease all future benefit accruals under the Plan effective not later than October 15, 2003 (at which time the security provided under Condition 1 will be released).

The representatives of the Company have acknowledged that they understand these conditions. Nothing precludes the Company from subsequently requesting a modification of these conditions. However, there is no guarantee that such a request will be granted. Note that if Condition 2b. is chosen, the Plan may be amended to resume benefit accruals only after the waived amount has been fully amortized. If the Company fails to meet these conditions (as stated above or as modified later), this waiver is retroactively null and void.

Your attention is called to section 412(f) of the Code and section 304(b) of ERISA which describes the consequences which 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 amount remains unamortized. Please note that any amendment to other pension or profit sharing 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 organization 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, 2003, the date of this letter should be entered on Schedule B (Actuarial Information). We have sent a copy of this letter to the Manager, EP Classification, in Baltimore, Maryland, and to your authorized representatives (Form 2848) on file with this office.

If you have any questions concerning this letter, please contact) at In any correspondence relating to this letter, please refer to . as well.

Sincerely,

for Carol D. Gold, Director
Employee Plans