Significant Index No. 0412.06-00

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

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

APR 0 3 2006

SE:T:EP:RA:T:A2

In re:

Company =

This letter constitutes notice that a waiver of the minimum funding standard has been granted for the above-named plan for the plan year ending June 30, 2005, subject to the condition that that the Company makes sufficient contributions to the Plan to meet the minimum funding standard for the Plan for the plan year ending June 30, 2006, by March 15, 2007. Your authorized representative agreed to this condition in an e-mail dated March 24, 2006. If this condition is not satisfied, the waiver is retroactively null and void.

This conditional waiver of the minimum funding standard has been granted in accordance with section 412(d) of the Internal Revenue Code and section 303 of the Employee Retirement Income Security Act of 1974 (ERISA). The amount for which this conditional 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 June 30, 2005.

The Company is a manufacturer of high speed steel cutting tools. Its primary product is taps, which are used to form internal threads. The Company sells its products domestically and in and , with a small portion exported to other The Company's customers include the and , as well as small machine shops.

The current financial hardship was brought on by the economic downturn which affected the Company's customer base, particularly the which in turn led to declining sales. Sales have declined from $ for the fiscal year ending June 30, 2001 to $ in 2002, $ in both 2003 and 2004, and $ in 2005. Because the Company's has relatively fixed manufacturing costs associated with its mostly union workforce, profit margins declined dramatically as well.

In order to effect a recovery of its business, the Company has taken a number of steps to firm up its financial situation. These steps included a reduction in payroll costs through layoffs of union and non-union employees, the replacement of its primary supplier with a new lower cost supplier, and an aggressive marketing campaign to expand its customer base and increase sales. These steps, along with the current economic recovery, should allow the Company's financial situation to improve sufficiently to continue meeting the funding requirements of the Plan. Furthermore, the Company is debt-free and is considering borrowing against its assets or raising capital through the issuance of preferred stock in order to fund the Plan.

The Company has shown its determination to fund the Plan by continuing to make contributions totaling $ to the Plan for the plan year ending June 30, 2005, despite filing for a funding waiver. The Company is also considering borrowing against its assets or issuing preferred stock to fund the Plan. However, the Plan is poorly funded on a current liability basis, and the Plan has already received a funding waiver for a prior year. Hence, the waiver of the minimum funding standard for the plan year ending June 30, 2005, has been granted subject to the condition stated above.

Your attention is called to section 412(f) 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, 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 any amendment to a profit sharing plan or any other retirement plans (covering employees covered by this plan) 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. Similarly, the establishment of a new profit sharing plan or any other retirement plan by the Company (covering employees covered by this plan) 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 June 30, 2005, 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 , to the Manager, EP Compliance Unit in , and to your authorized representative pursuant to a power of attorney on file in this office.

If you require further assistance in this matter, please contact

Sincerely yours,

Donna M. Prestia, Manager
Employee Plans Actuarial Group 2