

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISIONDEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

AUG 03 2004

T:EP:RA:T:AI

In re:

Taxpayer =

State A =

Dear :

This letter constitutes notice that conditional approval has been granted to extend certain amortization periods for amortizing the unfunded liabilities (described in section 412(b)(2)(B) of the Internal Revenue Code (the "Code") and section 302(b)(2)(B) of the Employee Retirement Income Security Act of 1974 (ERISA). The extensions are granted for amortization periods for certain unfunded liabilities of the Plan for the plan year beginning November 1, . The particular unfunded liabilities for which extensions of amortization periods are granted are as follows:

<u>Source of Unfunded Liability</u>	<u>Extension Granted</u>
Assumption Change effective November 1,	Two (2) Years
Actuarial Loss for plan year ended October 31,	Six (6) Years
Actuarial Loss for plan year ended October 31,	Five (5) Years

The extensions of the amortization periods of the unfunded liabilities of the Plan have been granted in accordance with section 412(e) of the Code and section 304(a) of ERISA. Section 412(e) of the Code and section 304(a) of ERISA authorize the Secretary to extend the period of time required to amortize any unfunded liability (described in section 412(b)(2)(B) of the Code and section 302(b)(2)(B) of ERISA) of a plan for a period of time (not in excess of 10 years) if the Secretary determines that such extension would carry out the purposes of ERISA and would provide adequate protection for participants under the plan and their beneficiaries and if the Secretary determines that the failure to permit such extension would (1) result in (A) a substantial

risk to the voluntary continuation of the plan, or (B) a substantial curtailment of pension benefit levels or employee compensation, and (2) be adverse to the interests of plan participants in the aggregate.

Section 101 of Reorganization Plan No. 4 of 1978, 1979-1 C.B. 480, transferred the authority for issuing rulings under section 304(a) of ERISA from the Secretary of Labor to the Secretary of the Treasury. Accordingly, amortization periods for certain unfunded liabilities of the Plan are extended as described above under section 412(e) of the Code and section 304(a) of ERISA.

The Plan is a single employer defined benefit plan. The interest rate applicable for the remaining amortization periods of the amortization bases for which extensions have been granted is the greater of (A) 150 percent of the Federal mid-term rate (as in effect under section 1274 for the first month of such plan year), or (B) the rate of interest used in determining costs.

As of November 1, the value of the assets of the Plan was approximately equal to 47% of the present value of future benefits of the participants of the Plan. However, as of that date the value of the assets of the Plan was approximately equal to the present value of future benefits of other than owner-employee participants of the Plan.

The Taxpayer is a construction company in State A whose primary business was building and selling second retirement homes. Since September 11, 2001, and the associated stock market decline, the Taxpayer has experienced more than a percent decline in yearly home completions, and has been operating with negative cash flows.

In order to affect a recovery, the Taxpayer has reduced staffing levels, frozen employee salaries, and is attempting to expand its presence in single family custom homes for full time residents of State A. In addition, the Taxpayer has reduced the salaries of its two top officers by more than percent. The Taxpayer now anticipates that if extensions are granted, it will be able to satisfy the Plan's future minimum required funding requirements. (Note that the Taxpayer has already contributed, for the plan year ending October 31, amounts to the Plan such that, if the extensions are granted, the Plan will have a de minimus credit balance as of the end of that plan year).

Because the Plan is fully funded with respect to participants other than owner-employees, participants (other than owner-employees) would be adequately protected if extensions are granted. Furthermore, if extensions are not granted, the Taxpayer will only be able to remain viable if pension benefit levels or employee compensation is substantially curtailed. Thus, extensions would enable the voluntary continuation of the Plan and the maintenance of pension benefit levels and employee compensation while adequately protecting participants (other than owner-employees). Accordingly, extensions would not be adverse to the participants in the aggregate.

However, because the prospects for recovery are uncertain and because the Plan is under-funded, we are granting these extensions subject to the following conditions:

The contributions required to satisfy the minimum funding standard (taking into account these extensions) for the plan years ending October 31, and , are to be timely made as defined in section 412(c)(10) of the Code (without a waiver being granted for such years).

If these conditions are not satisfied, the extensions granted for the plan year beginning November 1, are retroactively null and void. You agreed to these conditions in a letter dated July 23, 2004.

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.

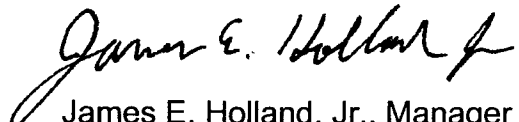
When filing Form 5500 for the plan year ending October 31, the date of this letter should be entered on the Schedule B (Actuarial Information). We are furnishing a copy of this letter to the enrolled actuary for the plan in accordance with a power of attorney (Form 2848) on file. A copy of this letter is also being sent to the Manager, Employee Plans Classification in Baltimore, Maryland.

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4

If you have any questions on this ruling letter, please contact:

Sincerely,


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