PACIFIC COAST SHIPYARDS PENSION FUND

5 THIRD STREET, SUITE 525 • SAN FRANCISCO, CA 94103

PHONE (415) 896-5742 • 1-800-257-1515 • FAX (415) 896-0587

570875

August 4, 2009

Certified Mail
Return Receipt Requested

Secretary of Labor
U.S. Department of Labor
200 Constitution Ave., NW
Washington, DC 20210

Re: Notice of Critical Certification for Pacific Coast Shipyards Pension Plan (EIN 94-6128040/ PN 001)

Dear Sir or Madam:

As required by Internal Revenue Code Section 432(b)(3)(D)(i), this is to inform you that the above referenced plan has been certified by the plan actuary to be in critical status as defined in Code Section 432(b)(2) for the plan year beginning April 1, 2009. The date of the certification is June 29, 2009. A copy of the Notice provided to participants, participating employers, local unions, retirees and beneficiaries is enclosed.

Please let us know if you have any questions.

Board of Trustees
Pacific Coast Shipyards Pension Plan

4040241v1/03931.001

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Notice of Critical Status

For the

Pacific Coast Shipyards Pension Plan

This is to inform you that on June 29, 2009 the plan actuary certified to the U.S. Department of the Treasury, and to the Board of Trustees, that the Plan remains in critical status (the "red zone") for the Plan Year beginning April 1, 2009. Federal law requires that you receive this notice.

Critical Status

The Plan is considered to be in critical status because it has funding problems. This is the second Plan Year (the first being the April 1, 2008 Plan Year) that the Plan is in critical status.

April 1, 2008 through March 31, 2009 Plan Year – Initial Year in Critical Status

On April 1, 2008, the Plan's actuary initially certified the Plan as being in critical status. On the same date, the Board of Trustees adopted a Rehabilitation Plan aimed at restoring the Plan's financial health through a combination of increased Employer contributions and permitted benefit reductions.

On April 4, 2008, the Fund Office mailed notice of the Plan's critical status and Rehabilitation Plan to the Plan's Participants and other stakeholders. The parties were notified that the Default Schedule of the Rehabilitation Plan would eliminate early retirement subsidies in the Early Retirement Pension and Rule of 70 Special Unreduced Early Retirement Pension, the Disability Pension, the Alternate Pre-Retirement Death Benefit, the Three-Year Guarantee of Benefits under the life annuity payment form and reduce future benefit accruals. None of these Plan changes would reduce the level of the Participant's basic benefit payable at Normal Retirement Age.
Subsequent to the mailing at various dates in 2008, all Contributing Employers adopted the Default Schedule of the Rehabilitation Plan which became effective January 1, 2009. At that point, the Employer contribution surcharges required to be assessed prior to the adoption of a Rehabilitation Plan Schedule ceased to apply and the increased contributions under the Default Schedule commenced. A copy of the Default Schedule is attached to this notice.

April 1, 2009 through March 31, 2010 Plan Year – Current Year

On June 29, 2009, the Plan's actuary certified the Plan as being in critical status for the 2009 Plan Year because the Plan's actuary has determined that:

- The Plan is projected to have an accumulated funding deficiency for the Plan Year ending March 31, 2012; and

- The sum of the Plan's normal cost and interest on the unfunded benefits for the current Plan Year exceeds the present value of all expected contributions for the year; the present value of vested benefits of inactive Participants is greater than the present value of vested benefits of active Participants; and over the next four Plan Years, the Plan is projected to have an accumulated funding deficiency for the Plan Year ending March 31, 2012.

- The Plan was in critical status last year and over the next 9 years, the Plan is projected to have an accumulated funding deficiency for the Plan Year ending March 31, 2012.

At the May 13, 2009 meeting of the Board of Trustees, the Trustees elected to extend the Rehabilitation Period to 13 years as permitted under the Worker, Retiree and Employer Recovery Act of 2008.

At some point within the April 1, 2009 Plan Year, the Plan's actuary will evaluate the Plan's actuarial experience during the April 1, 2008 Plan Year and develop updated Schedules of Employer contribution rates and benefit changes. The updated Schedules will be required to be incorporated into any new collective bargaining agreement entered into following the Schedules receipt by the collective bargaining parties.

Where to Get More Information

For more information about this Notice, you may contact:

Ms. Cristina Noyes
Fund Manager
5 Third Street, Suite 525
San Francisco, CA 94103
(415) 896-5742

You have a right to receive a copy of the rehabilitation plan from the Pension Fund.

DEFAULT SCHEDULE

Benefit Changes

- Future accruals at 1.00% of contributions instead of 2.00%.
- Remove Rule of 70 on all future retirements
- Remove early retirement subsidies – instead of 2% per year reductions from age 60, reductions will be based on actuarial equivalence from normal retirement age (62).
- Remove 36-month guarantee – applies both to the normal form of benefit payment at retirement, and to pre-retirement death benefits.
- Remove Disability Pension (on all future disabilities)

Supplemental Contributions

Supplemental Contributions will be payable based on the following schedule:

Contribution increases under all agreements as follows (all increases **are "off-benefit")**:

Effective Date	Increase in hourly rate	Cumulative increase
January 1, 2009	$0.80	$0.80
January 1, 2010	0.75	1.55
January 1, 2011	0.75	2.30
January 1, 2012	0.70	3.00
January 1, 2013	0.70	3.70
January 1, 2014	0.60	4.30
January 1, 2015	0.60	4.90
January 1, 2016	0.50	5.40
January 1, 2017	0.30	5.70
January 1, 2018	0.10	5.80

Default Schedule (continued)

Effective Date

The benefit changes shall be applied to participants, beneficiaries, and alternate payees commencing receipt of benefits on and after April 1, 2008, for benefits payable beginning with the first month on and after the date this Schedule is implemented which shall be no later than January 1, 2009 unless a further delay is mandated by federal law or regulation. A proper ERISA Section 204 (h) Notice has been provided. For participants, beneficiaries and alternate payees who first commenced receipt of benefits on and after April 1, 2008 and prior to this schedule being implemented their benefit payable on and after January 1, 2009, or such earlier date as described below, shall be recalculated. For benefits commenced on and after April 1, 2008 there shall be retroactive reductions to benefits already paid to the extent specifically authorized by federal regulation or guidance.

The implementation date of the Default Schedule shall thus be January 1, 2009 unless the bargaining parties negotiate a legally enforceable earlier implementation date, the alternative schedule is earlier adopted by applicable bargaining parties, a merger/spinoff is effectuated prior to implementation and/or a later or earlier date is mandated by law. Modifications to the contributions of this Default Schedule may be made as warranted by experience or mandated by law.

Supplemental contributions as contained within the Default Schedule shall apply to all contributions payable on or after the date of implementation of the Default Schedule and to the extent permitted by law and regulation for all hours worked on and after April 1, 2008.

The benefits of Pensioners, surviving spouses and Alternate Payees who commenced receipt of benefits prior to April 1, 2008 are not subject to reduction upon imposition of the Default Schedule except to the extent provided under the form of benefit elected, the terms of the Pension Plan and/or to the extent permitted by law or regulation.

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