200137067

Internal Revenue Service

Department of the Treasury

Washington, DC 20224

Significant Index No. 0412.06-00

Third Party contacts: Participants

Contact Person:

Telephone Number:

In Reference to:
T:EP:RA:T:A1

Date:
JUN 22 2001

In re:

This letter constitutes notice that with respect to the above-named defined benefit pension plan we have granted a conditional waiver of the minimum funding standard for the plan year ending December 31, 2000. We have also modified our prior ruling letter dated March 15, 2000.

This conditional waiver for the plan year ended December 31, 2000, has been granted in accordance with § 412(d) of the Internal Revenue Code and § 303 of the Employee Retirement Income Security Act of 1974 (ERISA). The waived amount is the contribution which would otherwise be required to reduce the balance in the funding standard account to zero (after the payment of amounts required under § 412(b)(2)(C) for a previous waiver) as of the end of the plan year for which this conditional waiver has been granted.

The information furnished indicates that the Employer had a net loss for its fiscal year ended December 31, 1998 and that it had net profits for its fiscal years ended December 31, 1997 and 1999. However, the Employer had a net loss for the nine-month period ended September 30, 2000. Also, net worth and working capital were negative for this period. Moreover, the Employer's cash flow was not sufficient both to meet routine operating expenses such as payroll and to contribute the minimum funding requirement.

The Employer states that its business is cyclical and that the end of this temporary downturn is imminent. To facilitate its recovery, the Employer has effected a price increase for its products and reduced staff. It has also reduced inventory and reduced medical benefit costs.

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The Employer expects cash flow and its general financial position to improve as these measures take effect, but the prospects for recovery are still uncertain. Also, as of January 1, 2000, the value of the plan's assets was equal to just 49% of the plan's current liability.

Therefore, the waiver is subject to the following conditions:

1) The contributions required to satisfy the minimum funding standard (taking into account this waiver) for the plan years ended December 31, 2001 and 2002, are to be timely made as defined in Code § 412(c)(10) without a waiver being granted for either of these plan years.

2) The quarterly contributions described in Code § 412(m) are to be made on or before the due dates beginning with the payment due July 15, 2001; and

3) Not later than 90 days from the date of this letter, the Employer is to provide a security interest to the plan for the amount of the waiver that is satisfactory to the Pension Benefit Guaranty Corporation.

If any of these conditions is not satisfied, the waiver is retroactively null and void. You agreed to these conditions in a letter sent by your authorized representative dated June 12, 2001.

Your attention is called to Code § 412(f) and ERISA § 304(b) which describe the consequences which 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.

This letter also modifies our ruling letter dated March 15, 2000 granting a conditional waiver for the 1999 plan year. Under the terms of that letter, the waiver was subject to three conditions. The Employer did not satisfy Condition 1 and Condition 2 of the March 15, 2001 ruling letter. Accordingly, our letter of March 15, 2000 is modified such that Condition 1 and Condition 2 read as follows:

1) The contributions required to satisfy the minimum funding standard (taking into account this waiver) for the plan years ended December 31, 2001 and 2002, are to be timely made as defined in Code § 412(c)(10) without a waiver being granted for either of these plan years.

2) The quarterly contributions described in Code § 412(m) are to be made on or before the due dates beginning with the payment due July 15, 2000 (excluding the payments due January 15, 2001 and April 15, 2001).

When filing Form 5500 for the plan year ended December 31, 2000, the date of this letter should be entered on Schedule B (Actuarial Information). A copy of this letter is being sent to your authorized representative pursuant to a Power of Attorney (Form 2848) on file with this case. A copy of this letter should also be sent to the enrolled actuary for the plan. We have sent a copy of this letter to the Employee Plans Classification Manager in

Sincerely,

Carol D. Gold, Director
Employee Plans
Tax Exempt and Government Entities
Division

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