Internal Revenue Service

Significant Index No. 0412.06-00

Department of the Treasury

200149046

Washington, DC 20224

Person to Contact:

Telephone Number:

Refer Reply to:

T:EP:RA:T:A1

Date: SEP 13 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 ruling letter dated May 5, 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 as of the end of the plan year for which this conditional waiver has been granted.

The Employer has a calendar year fiscal year. For the 1998 and 1999 fiscal years, the Employer had negative working capital and net worth. For its 1998 fiscal year, the Employer had a net operating loss. In the 1999 and 2000 fiscal years, the Employer had expenses that exceeded revenue by 0.9% and 1.0%, respectively. Also, the Employer had insufficient cash-on-hand to meet both routine operating expenses and to contribute the minimum funding requirement.

In effort to effect a recovery, the Employer has reduced staff, reduced contracted services and vendor costs, and improved its collection of account receivables. Other measures have been taken as well such that the Employer went from a large operating loss in 1997 to de minimis losses in 1999 and 2000 even though revenue remained relatively constant. Also, for the five-month period ended May 31, 2001, the Employer had a de minimis profit and improvement in both working capital and net worth. The Employer has (or will in the near future) implemented new programs which it expects to increase both revenue and operating margin. As these measures take hold, the Employer expects its cash flow position to improve and to resume funding the plan.

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As of January 1, 1999, the value of the assets of the plan was equal to 83% of the plan's current liability. As of January 1, 2000, the value of the assets of the plan was equal to 79% of the plan's current liability. Therefore, because the prospects for recovery are uncertain and because the plan is underfunded, we are granting this waiver subject to the following conditions:

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

(2) The Employer is to provide a security interest to the Pension Benefit Guaranty Corporation that is equal to the sum of the outstanding balance of the 1999 plan year waiver plus the amount of the 2000 plan year waiver.

If these conditions are not satisfied, the waiver is retroactively null and void. You agreed to these conditions in your letter dated September 7, 2001.

Your attention is called to § 412(f) of the Code and § 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 other retirement plans maintained by the company or to the company's profit sharing plan, to increase the liabilities of those plans would be considered an amendment for purposes of § 412(f) of the Code and § 304(b) of ERISA.

This letter also modifies our ruling letter dated May 5, 2001 granting a conditional waiver for the 1999 plan year. The Employer did not satisfy the condition of the May 5, 2001 ruling letter. Accordingly, our letter of May 5, 2000 is modified such that the condition reads as follows:

> 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 § 412(c)(10) of the Code without a waiver being granted for either of these plan years.

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.

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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 in accordance with a Form 2848 (Power of Attorney) on file. We have sent a copy of this letter to the EP Classification Manager in

Sincerely,

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

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