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

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

SEP 25 2003

T:EP:RA:T:A2

In re:

Company =
Union =

Dear

This letter constitutes notice that a conditional waiver of the minimum funding standard has been granted for the above-named pension plan for the plan year beginning January 1, 2002.

The conditional waiver has been granted in accordance with section 412(d) of the Internal Revenue Code (Code) and section 303 of the Employee Retirement Income Security Act of 1974 (ERISA). The amount for which the waiver has been granted is the contribution that would otherwise be required to reduce the balance in the funding standard account of the plan to zero as of the end of the plan year for which the waiver has been granted.

The Company sells a process without the use of to various markets, including The Company has experienced temporary substantial business hardship as evidenced by negative net income and negative working capital for each of the last three fiscal years, ended December 31, 2000 to 2002, and negative net worth for 2002. The Company has experienced a significant drop in sales from $9.4 million in 2000 to $5.0 million in 2002, which correlates with the downturn in the U.S. economy, and reduced capital expenditures by the manufacturing sector of the economy.

The Company has taken steps to effect recovery, including reducing the number of employees, restructuring debt, reducing selling, general and administrative expenses, reducing overhead costs, and withholding employee raises from June 2001 to the present. The Company has added new representative firms nationally and internationally to help market its products, and has been asked to provide new delivery quotes on more than 40 orders. The Company expects to pick up more new orders as companies that have not ordered recently need replacements and upgrades for their current units.

The Plan, which covers all employees represented by the Union, has no active participants. Approximately two-thirds of the participants are retired, and one-third are terminated participants with vested benefits. As of January 1, 2002, the ratio of the market value of assets to actuarial liability is approximately 31 percent.

This waiver has been granted subject to the following condition, which you have agreed to:

> The Company will contribute not less than the greater of (i) or (ii) for each of the plan years beginning January 1, 2003, and January 1, 2004, with such contributions made no later than September 15, 2004 (for the 2003 plan year contribution), and no later than September 15, 2005 (for the 2004 plan year contribution):
>
> (i) The sum of the amortization payment for the 2002 waiver, plus the amount paid out of the plan for each plan year for benefits to retirees and beneficiaries, plus the amount paid out of the plan for such plan year for administrative expenses; and
>
> (ii) The minimum funding standard for the plan year, which includes the amortization payment for the 2002 waiver.

If the Company fails to meet the above condition, this waiver is retroactively null and void.

Your attention is called to section 412(f) of the Code and section 304 of ERISA which describes the consequences which result in the event the plan is amended to increase benefits, to change the rate in the accrual of benefits, or to change the rate of vesting while any portion of the waived amount remains unamortized.

This ruling is directed only to the organization 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 beginning January 1, 2002, the date of this letter should be entered on Schedule B (Actuarial Information). We have sent a copy of this letter to the Manager, EP Classification, in , and to your authorized representatives (Form 2848) on file with this office.

If you have any questions concerning this letter, please contact . In any correspondence relating to this letter, please refer to SE:T:EP:RA:T:A2 as well.

Sincerely,

Martin L Pippins

Martin L. Pippins, Manager
Employee Plans Actuarial Group 2