



TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

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

200510041

DEC 15 2004

SE.T:EP:PA:T:A1

In re:

(the "Plan")

Company =

Product =

This letter constitutes notice that conditional approval has been granted to extend the amortization period 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) of the Plan. The extension is granted for the amortization period for amortizing unfunded liabilities of the Plan for the plan year beginning [REDACTED]

The particular unfunded liability for which the extension of the amortization period is granted is the single amortization base of the plan created by combining and offsetting the existent amortization bases as of [REDACTED] in accordance with section 1.412(b)-1(d) of the (proposed) income tax regulations. The remaining amortization period of this single amortization base (before extension) was 3.30 years. The extension granted to this amortization base is 3.70 years. Accordingly, the remaining amortization period of this amortization base (after extension) is 7.00 years.

The extension of the amortization period of the unfunded liabilities of the Plan has 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 of Labor 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 of Labor 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 of Labor 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 412(e) of the Code and section 304(a) of ERISA from the Secretary of Labor to the Secretary of the Treasury. Accordingly, the amortization period for amortizing the unfunded liabilities of the Plan is 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 period of the amortization base for which the extension has 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 [REDACTED] the value of the assets of the Plan was approximately equal to [REDACTED] % of the Plan's current liability. The Plan has been frozen since [REDACTED]. Less than forty percent of the Company's current employees have accrued benefits under the Plan.

The Company is an employee-owned seller of Product that represents that, to its knowledge, it has never missed a required contribution. However, because of negative investment returns experienced by the Plan during the [REDACTED], [REDACTED], and [REDACTED] plan years, the amounts that the Company (without this extension) would be required to contribute for the [REDACTED] and [REDACTED] plan years would result in a substantial risk to the financial viability of the Company.

The Company has experienced losses in three of the last five years and also seen a decrease in revenues of approximately 10 percent during that period. Expansion as a means to spread the costs of the Plan over a greater number of employees is not an option, in no small part because of the costs of the (frozen) plan, which, of course, would provide no benefit to new hires.

The amortization period extension will reduce the Company's pension funding requirements (without regard to subsequent gains and losses) to a level that will enable the Company to remain competitive and thus, stem the decrease in revenues that the Company has experienced over the last five years. However, because the prospects for recovery are uncertain and because the Plan is under-funded, we are granting this extension subject to the following condition:

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

If this condition is not satisfied, the extension granted for the plan year beginning [REDACTED] is retroactively null and void. You agreed to this condition in a letter (which was transmitted by facsimile) dated December 15, 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, if an extension of time under section 412(e) is in effect with respect to the plan. 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.

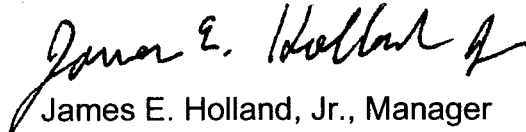
When filing Form 5500 for the plan year ending [REDACTED], the date of this letter should be entered on the Schedule B (Actuarial Information). A copy of this letter is being sent to the Manager, Employee Plans Classification in [REDACTED]. A copy should be furnished to the enrolled actuary for the plan.

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

Sincerely,

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