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

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

AUG 0 1 2006

T:EP:RA:T:A2

In re:

Company =

Sub C =

Sub H =

Sub A =

Sub N =

Sub P =

Bank H =

Bank C =

Bank G =

This letter constitutes notice that:

(1) pursuant to your authorized representative's letter of withdrawing your request for a waiver of the minimum funding standard for the above-named Plan for the plan year ending December 31, the case has been closed by this office; and

(2) pursuant to your request of your requests for (a) a modification of the waiver of the minimum funding standard for the Plan for the plan year ending December 31, which was granted in our ruling letter dated September 30, 2004, and (b) a waiver of the minimum funding standard for the Plan for the plan year ending December 31, have been granted subject to the following conditions:

(i) by the later of (a) 90 days from the date of the ruling letter or (b) the earlier of (i) the date the PBGC notifies the Service in writing that this condition has not been met or (ii) 360 days from the date of the ruling letter, collateral be provided to the Plan in a form acceptable to the PBGC, and shall constitute (I) a pledge of Sub A's stock (subordinated to Bank H prior to the sale of Sub H), and (II) a pledge of Sub N's and Sub P's (and any subsidiary's) assets (subordinated to Bank C and Bank G), to secure the amount of the waived funding deficiencies as well as the entire amount of the Plan's unfunded benefit liability as of the date of the ruling letter;

(ii) within 30 days after the sale of Sub H, any excess proceeds, to the extent deductible by the Company, and up to the lesser of (a) the total amount of the waivers of the minimum funding standard for the Plan for the plan years ending December 31, and plus 50% of the remaining excess proceeds above this amount, or (b) the amount necessary to fully fund the Plan on a termination basis, that is realized from the sale of Sub H shall be contributed to the Plan within 30 days from the closing of the sale of Sub H. For purposes of this condition, the term "excess proceeds" shall mean those funds remaining after payment of an amount necessary to pay all obligations in full to Bank H under its loan agreements with the Company and Sub A and after satisfaction of all taxes and costs incurred in connection with the sale.

If the contribution of excess proceeds creates a credit balance in the funding standard account for the Plan, then such credit balance shall be maintained in the funding standard account of the Plan until it is equal to or greater than the outstanding balance of the amortization base with respect to the waived amount that is established and maintained under section 412(b)(2) of the Code, after which a credit balance will be maintained that is not less than the outstanding balance of the amortization base with respect to the waived amount;

(iii) the Company makes contributions to the Plan in amounts sufficient to meet the minimum funding standard for the Plan for the plan year ending December 31, within 30 days of the date of the ruling letter; and

(iv) the Company makes contributions to the Plan in amounts sufficient to meet the minimum funding standard for the Plan for the plan year ending December 31, by September 15, 2007 (without applying for a waiver of the minimum funding standard).

Your authorized representative agreed to these conditions in a letter dated If any one of the conditions is not met, the waivers for the plan years ending December 31, , and December 31, are retroactively null and void.

The conditional waivers have 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 these conditional waivers have been granted is the contribution that would otherwise be required to reduce the balance in the funding standard account to zero as of December 31, 2003, and December 31, 2004.

The Company is a privately-owned global developer, producer, and marketer of specialty chemical products. Its principal business is the manufacturing and distribution of fertilizer and crop protection chemicals. The Company had consolidated group revenue in excess of and assets in excess of for The Company's revenues are grouped into three general product categories: specialty plant nutrient, industrial chemicals, and organic chemicals. Customers of the Company include manufacturers.

The Company's business has been affected by economy. Since 2000, the Company's principal subsidiary, Sub H, has suffered a substantial business hardship due to increases in supply of its primary product, potassium nitrate. This subsidiary is the world's largest producer of potassium nitrate and corners 2/3 of the market in this chemical. These increases were the result of plant expansions by both the Company and its competitors. At the same time, the annual rate of growth in demand declined. Historically, the demand for potassium nitrate grew at a rate of 7-10% annually. Since 2000, however, this rate has declined to 1-3% annually. The increase in supply over demand caused the Company's competitors to drastically reduce prices, which forced the Company to cut its prices as well. These lower prices occurred at a time when prices for raw materials were increasing, which eroded the Company's gross margins. Furthermore, the strong , which prevailed from 2000-2002, had a detrimental effect on profits because the Company's operating revenues are dominated by the but its expenses are derived in

During the first quarter of 2002, a subsidiary of the Company and the original sponsor of the Plan, Sub C, filed a petition under Chapter 11 of the U.S. Bankruptcy Code. This subsidiary had experienced a sharp reduction in its revenues due to a lack of contract manufacturing and a general recession in the chemical business. The subsidiary was highly leveraged and unable to meet its bank covenants, and an acute liquidity crisis forced it into bankruptcy. Operations at the subsidiary were suspended immediately after the bankruptcy filing and are not expected to resume. The Company then assumed responsibility for the Plan.

The Company has taken steps to improve its profitability. It has reduced its workforce from employees to approximately , The Company has also streamlined operations and reduced operating expenses. Various programs have been initiated to increase prices when possible, introduce new product mixes, enter new markets, and increase operational efficiency. The Company feels that these changes and an improving economy will allow it to generate the cash flows necessary to sustain operation and continue funding the Plan.

Financial information provided by the Company shows increased revenues and declining expenses, as well as improving profitability. The Company has, or is in the process of, selling some of its assets to streamline operations and reduce debt. The Company' , Sub A, has sold its 50% interest in three joint ventures and used some of the proceeds from this sale to fund the Plan.

The sale of the Sub H's stock is contemplated to be completed by the end of

While the above-mentioned sales do indicate an improvement in the Company's financial position, we must note that the Company has not been able to meet the minimum funding requirements for the Plan for the plan years ending December 31, through and the Plan is only 40% funded on a current liability basis as of January 1, 2004. However, the Company has committed to funding the plan for the plan years ending December 31, and December 31, and will contribute to the Plan a portion of any excess proceeds that are generated by the sale of Sub H's stock. Hence, the modification of the waiver of the minimum funding standard previously granted for the plan year ending December 31, and a waiver of the minimum funding standard for the plan year ending December 31, have been granted, subject to the conditions set forth above.

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, while any portion of the waived funding deficiency remains unamortized. 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 December 31, the date of this letter should be entered on Schedule B (Actuarial Information). For this reason, we suggest that you furnish a copy of this letter to the enrolled actuary who is responsible for the completion of the Schedule B.

We have sent a copy of this letter to the Manager, EP Classification in to the Manager, EP Compliance Unit in and to your authorized representative pursuant to a power of attorney on file in this office.

If you require further assistance in this matter, please contact

Sincerely yours,

for Carol D. Gold
Director, Employee Plans