Significant Index No. 0412.06-00

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

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

JUN 2 4 2004

In re:

EIN:

Company =

This letter constitutes notice that your request of July 3, 2003, for a waiver of the minimum funding standard for the above-named plan for the plan year ending December 31, 2003, has been granted subject to the following conditions:

(1) Within 60 days of the date of this letter, an agreement is reached with the Pension Benefit Guaranty Corporation ("PBGC") concerning collateral that is to be provided to the Plan to secure the amount of the waived funding deficiency.

(2) The Company will make contributions to the Plan in amounts sufficient to meet the minimum funding requirements for the Plan for the plan year ending

This 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 this waiver has 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.

The Company is a privately-held corporation engaged in the manufacture and distribution of for end uses involving applications in and requiring superior performance. Product lines include , as well as The Company's principal markets are in the

The Company's sales volume and margins continued to worsen in as the economic recession worsened. Management reorganization expenses, expenses related to the catastrophic failure of a significant piece of manufacturing equipment, and a write-off of unamortized debt issuance costs resulted in a net loss of for , the Company's largest net loss since its inception in . The financial situation continued to deteriorate in and the Company had a loss of based on unaudited financial statements as of

As a result of the losses noted above, the Company's cash balance has been reduced from $ as of , to as of and based on unaudited financial statements as of The Company's revolving debt has increased from as of , to as of , and based on unaudited financial statements as of

In , the Company negotiated a new revolving credit facility that expires in . Advances under the facility are secured by eligible receivables, inventories, and property, plant and equipment. The Company must maintain minimum net worth and fixed charge coverage ratios under the credit agreement. In , an amendment to the credit agreement had to be negotiated because of the Company's violation of the minimum net worth covenant in , which was caused by the significant decline in the discount rate in calculating the minimum pension liability adjustment as of . The amendment requires the Company to maintain a loan availability of at all times, as well as increased interest rate pricing.

The Company believes that its economic hardship is due to normal business cycles in the industry, although this downturn has been particularly severe. To strengthen the Company's financial position, the Company completed another corporate reorganization in that resulted in the temporary layoff of of salaried personnel.

However, the Company feels that the improved economic climate in , as well as its corporate restructuring, will stem its cash flow problems and improve its sales volume. Year-to-date results show that the Company's sales have greatly improved and are on track to increase on an annualized basis. Losses have also been significantly reduced. The Company has made the quarterly payment to the Plan (which is underfunded for current liability) on time and has indicated that the other required quarterly payments for the Plan year will be made on time as well.

The prospects for the Company's recovery appear solid, but the Plan has unfunded current liability. Hence, the waiver for the plan year ending , has been granted, subject to the conditions that the waiver be secured in a manner acceptable to the PBGC and that the minimum funding requirement be met for the plan

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year ending You agreed to these conditions in a letter dated June 15, 2004 (which was transmitted by facsimile). If these conditions are not satisfied, the waiver is retroactively null and void.

Your attention is called to section 412(f)(1) 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, to 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 the establishment of another retirement plan, or any amendment to other retirement plans 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.

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 , 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 individual who is responsible for the completion of the Schedule B.

We have sent a copy of this letter to the Manager, EP Classification in and to your authorized representative pursuant to a power of attorney on file in this office. A copy of this letter should be furnished to the enrolled actuary for the Plan.

If you require further assistance in this matter, please contact

Sincerely yours,

Carol D. Gold
Director, Employee Plans