

200452040



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

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

SEP 30 2004

T:EP:RA:T:K2

In re: _____

Company = _____

This letter constitutes notice that a waiver of the minimum funding standard for the above-named plan for the plan year ending _____ has been granted subject to the following conditions:

- (1) Within 60 days of the date of this letter, collateral, that is acceptable to the Pension Benefit Guaranty Corporation ("PBGC"), is provided to the Plan to secure the amount of the waived funding deficiency.
- (2) Within 60 days of the date of this letter, the 10% excise tax under section 4971(a) of the Internal Revenue Code ("Code"), including interest and penalties, is paid for the accumulated funding deficiency in the Plan's funding standard account as of _____.
- (3) The Company will make the required quarterly contributions to the Plan in a timely manner (i.e., by the statutory due dates) for the plan years ending _____, and _____.
- (4) The Company will make contributions to the Plan in amounts sufficient to meet the minimum funding requirements for the Plan for the plan years ending _____, and _____, by _____, and _____, respectively.

Your authorized representative agreed to these conditions in an e-mail dated September 17, 2004. If these conditions are not satisfied, the waiver is retroactively null and void.

This conditional waiver has been granted in accordance with section 412(d) of the Internal Revenue Code and section 303 of the Employee Retirement Income Security Act of 1974 ("ERISA"). The amount for which this conditional 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

The Company is a , and of specialty products. Its principal business is the manufacturing and distributions of and . 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: Customers of the Company include :

The Company's business has been affected by numerous conditions, including prices, , and the economy. Since the Company's principal subsidiary has suffered a substantial business hardship due to increases in supply of its primary product, This subsidiary is producer of and corners of the market in this . 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 grew at a rate of % annually. Since however, this rate has declined to % 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 U.S. dollar versus the Euro, which prevailed from 2000-2002, had a detrimental effect on profits because the Company's operating revenues are dominated by the Euro, but its expenses are derived in U.S. dollars.

During the first quarter of , a subsidiary of the Company and the original sponsor of the Plan 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 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 worldwide 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. However, the Plan is only % funded on a current liability basis, and the Company represents that it will not be able to fund the Plan for years, possibly necessitating a waiver for the Plan year ending . Furthermore, the amount requested to be waived includes a funding deficiency for the plan year. The funding deficiency for the plan year was discovered in early when the Plan's former enrolled actuary discovered that errors had been made in certain assumptions used in the original valuation. According to information provided by the Company's authorized representative, a revised Schedule B was filed, but the % excise tax of section 4971(a) of the Code was not paid. Hence, the waiver for the plan year ending has been granted, subject to the conditions set forth above.

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 enrolled actuary who is responsible for the completion of the Schedule B.

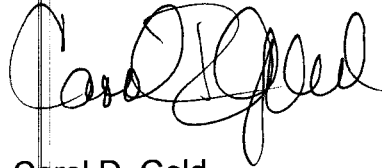
We have sent a copy of this letter to the Manager, EP Classification in , and to your authorized representative pursuant to a power of attorney on file in this office.

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If you require further assistance in this matter, please contact:

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Carol D. Gold". The signature is written in black ink and is positioned above the printed name and title.

Carol D. Gold
Director, Employee Plans