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TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

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

SE: T: EP: RA: T: AZ

NOV 03 2005

Company =

This letter constitutes notice that your request for a waiver of the minimum funding standard for the above-named plan for the plan year ending December 31, [REDACTED] has been denied.

The Company provides log scaling and grading services to the timber industry in [REDACTED]. While the Company maintains strict professionalism in providing its services, it is operated much like a cooperative. Timber sellers who use its services are also its owners. The Company currently has 91 owners, each of which owns one share of stock. Because the Company is essentially a cooperative, it has traditionally been operated on a non-profit basis. It does not accumulate profits in excess of business needs at the expense of its owners/customers. This structure constrains the Company's ability to increase its revenue to meet sudden demands like increased funding to the Plan. Increased revenue from new customers has traditionally been used to keep rates low for all its customers. The Company's revenue is also constrained by price competition with other scaling bureaus.

The Plan was fully funded for many years prior to the plan year ending December 31, [REDACTED] so the Company was not required to make any contributions to the Plan for many of those years. As recently as August 1, 2001, the enrolled actuary servicing the Plan estimated that no contributions would be required for 3 or 4 years. However, declining assets due to 3 years of market losses and very low interest rates have increased the Plan's liabilities. The Company was required to make contributions of \$ [REDACTED] and \$ [REDACTED] for the plan years ending December 31, [REDACTED] and December 31, [REDACTED] respectively (the Company made an additional contribution of \$ [REDACTED] for the [REDACTED] plan year). However, continued losses on the Plan's assets and the resulting application of the deficit reduction contribution caused a large spike in

required funding to \$ [REDACTED] for the plan year ending December 31, [REDACTED]. The Company had never experienced required funding levels of this magnitude in the history of the Plan.

The increased funding requirements for the Plan have coincided with a [REDACTED] market in the [REDACTED]. The volume of [REDACTED] which directly affects the need for the Company's services, has declined 30% since [REDACTED] in [REDACTED]. Since [REDACTED] four of the Company's major customer/owners have entered into bankruptcy, causing the losses on receivables and reduced revenues. The declines are due mostly to environmental restrictions, competition from [REDACTED] a slow economy since [REDACTED] and reduced [REDACTED] to the [REDACTED].

You were notified in a letter dated September 15, 2005, that your request would be denied unless you accepted certain conditions for a favorable ruling. On September 29, 2005, your authorized representative notified this office that you would not be accepting the conditions for a favorable ruling, and that the Company had filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code. Hence, your request for a waiver of the minimum funding standard for the Plan for the plan year ending December 31, [REDACTED], has been denied.

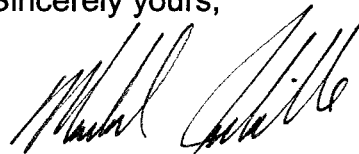
You should note that excise taxes under section 4971(a) of the Internal Revenue Code are currently due on the accumulated funding deficiencies in the Plan for the plan year ending December 31, [REDACTED]. You should file a Form 5330 as soon as possible to report and pay the taxes.

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.

We have sent a copy of this letter to the Manager, EP Classification in [REDACTED] to the Manager, EP Compliance Unit in [REDACTED] 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 [REDACTED].

Sincerely yours,



for Carol D. Gold
Director, Employee Plans