



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

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

FEB 8 2006

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In re:

Industry =

Union =

This letter constitutes notice that conditional approval has been granted for your request for a 10-year extension for amortizing the Plan's unfunded liabilities described in section 412(b)(2)(B) of the Internal Revenue Code ("Code") and section 302(b)(2)(B) of the Employee Retirement Income Security Act of 1974 ("ERISA"). The extension is granted for the amortization period for amortizing unfunded liabilities of the Plan for the plan year beginning May 1, 2003.

The extensions of the amortization periods of the unfunded liabilities of the Plan have 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 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 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 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 304(a) of ERISA from the Secretary of Labor to the Secretary of the Treasury. Accordingly, the amortization periods for the unfunded liabilities of the Plan are extended as described above under section 412(e) of the Code and section 304(a) of ERISA.

The Plan is a multiemployer defined benefit plan, jointly sponsored by the Union and employers in the Industry. The interest rate applicable for the remaining amortization periods of the amortization bases for which extensions would be granted is the rate determined under section 6621(b) of the Code.

As of May 1, 2003, the value of the assets of the Plan was approximately equal to 70% of the present value of accrued benefits under the Plan. The Plan's funded status has substantially deteriorated in recent years, primarily as a result of investment losses over the previous three plan years. In addition, the Plan has experienced a significant deterioration in the number of active participants as the Industry is currently enduring a period of severe contraction.

In response, the Plan has reduced future benefit accruals and has instituted a lawsuit against the former Plan actuary in an effort to recoup losses incurred due to (what it perceives to be) the inappropriate advice given by the connection in connection with prior benefit improvements. However, if amortization period extensions are not granted the Plan will experience a funding deficiency for the plan year ending April 30, absent what the Plan Sponsors represents to be unaffordable contribution rate increases.

Section 418(a) of the Code provides that a multiemployer plan is in reorganization for a plan year if the plan's reorganization index for that year is greater than zero. Section 418(b)(1) provides that a plan's reorganization index for any plan year is the excess of (A) the vested benefits charge for such year over (B) the net charge to the funding standard account for such year. Section 418(b)(3) of the Code provides that, for purposes of that subpart, the vested benefits charge for any plan year is the amount which would be necessary to amortize the plan's unfunded vested benefits as of the end of the plan year in equal annual installments (A) over 10 years, to the extent such benefits are attributable to persons in pay status, and (B) over 25 years, to the extent such benefits are attributable to other participants.

Section 418B(b)(1) of the Code provides that, except as otherwise provided in that section for purposes of that subpart, the minimum contribution requirement for a plan year in which a plan is in reorganization is an amount equal to the excess of (A) the sum of (i) the plan's vested benefit charge for the plan year; and (ii) the increase in normal cost for the plan year determined under the entry age normal funding method which is attributable to plan amendments adopted while the plan was in reorganization, over (B) the amount of the overburden credit (if any) determined under section 418C for the plan year.

If amortization period extensions are granted the Plan will have a reorganization index greater than zero for the plan year beginning May 1, . Accordingly, the minimum required contribution for that plan year will be determined in accordance with section 418B(b)(1) of the Code. If, what the Plan Sponsors represents to be affordable contribution rate increases are implemented, the Plan will not experience funding deficiencies and the value of the assets of the Plan will gradually approach the value of the accrued benefits of the Plan.

Accordingly, extensions would not be adverse to the participants in the aggregate. However, because the prospects for recovery are uncertain and because of the funded percentage of the Plan, we are granting these extensions subject to the conditions listed below:

- (1) The Plan's funded ratio, calculated by dividing the Plan's market value of assets by its actuarial accrued liability (computed using the unit credit method and the Plan assumptions as of May 1, 2003) is:
 - (a) no less than 78% for each valuation date from May 1, 2005, through May 1, 2012, inclusive;
 - (b) for each valuation date subsequent to May 1, 2012, no less than 1% greater than the floor funded ratio as of the previous valuation date. (For example, because the floor funded ratio as of May 1, 2012, is 78%, the funded ratio must be at least 79% as of May 1, 2013, and 80% as of May 1, 2014);
- (2) A notional credit balance is maintained such that the credit balance is at least as large as the accumulation (at the Plan's valuation rate) of the amortized (at the Plan's valuation rate over a period of 15 years) differences between the amortization payments of the extended bases (amortized at the section 6621(b) rate) and the amortization payments of such bases had such bases been extended and amortized at the Plan's valuation rate and had the Plan not been in reorganization. Such notional credit balance to be determined as the credit balance that the Plan would have otherwise achieved absent the provisions of section 418.

- (3) Notwithstanding section 418D of the Code, the Plan may not be amended in accordance with that section to reduce or eliminate accrued benefits attributable to employer contributions which under section 4022A(b) of the Employee Retirement Income Security Act of 1974, are not eligible for the Pension Benefit Guarantee Corporation's guarantee.
- (4) For each plan year that the extension remains in effect, starting with the plan year beginning May 1, _____, a copy of the actuarial valuation report for each plan year will be provided to this office by January 15 of the second following calendar year at the address below:

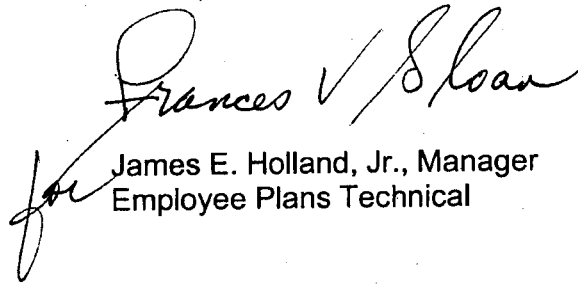
You agreed to these conditions in a letter dated February 6, 2006. If any one of these conditions is not satisfied, the approval to extend the amortization periods for amortizing the unfunded liabilities would be retroactively null and void. However, the Service will consider modifications of these conditions especially in the event that unforeseen circumstances beyond the control of the Plan may cause the actual experience of the Plan to fail the funded ratio condition. An example of such an unforeseen circumstance would be market fluctuations which affect the value of the Plan's assets. Of course, any request for a modification is considered another ruling request and would be subject to an additional user fee

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 trustees of this Plan, 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 trustees of this Plan (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.

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,

A handwritten signature in cursive script, appearing to read "James E. Holland, Jr.", is written over the typed name. The signature is fluid and somewhat stylized, with a large initial 'J' and 'H'.

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