200120039

Internal Revenue Service

Department of the Treasury

Washington, DC 20224

Significant Index No. 4971.00-00

Contact Person:

Telephone Number:

In Reference to:

Date T:EP:RA:T:A1

FEB 20 2001

In re: Plan =

Company =

This letter constitutes notice that waivers of the 10 percent tax under section 4971(f)(1) of the Internal Revenue Code have been granted for the above-named defined benefit plan for the last quarter of the plan year ending December 31, 1996, and for the first three quarters of the plan year ending December 31, 1997.

The waivers of the 10 percent tax have been granted in accordance with section 4971(f)(4) of the Internal Revenue Code, which was added to the Code by the Small Business Job Protection Act of 1996, Pub. L. 104-188. For any quarter for which these waivers have been granted, the amount of the waiver is equal to 10 percent of the amount of the excess of (1) the liquidity shortfall of the Plan (as determined under section 412(m)(5)(E) of the Code) for the quarter, over (2) the aggregate amount of any contributions paid in the form of liquid assets which served to reduce the liquidity shortfall for the quarter and which were paid to the Plan between the last day of the quarter and the due date of the required installment under section 412(m) for such quarter.

The liquidity shortfall arose as a result of the inability of the Company to satisfy the liquidity requirement of section 412(m)(5) of the Code for the quarters ending December 31, 1996, March 31, 1997, June 30, 1997, and September 30, 1997. During 1996 and 1997, the Company experienced substantial net losses and declining sales. The amount of available cash also declined substantially during these years. The Company's operations were sustained only by financing from their lender. There have been accumulated funding deficiencies within the meaning of section 412 of the Code and section 302 of ERISA. The Pension Benefit Guaranty Corporation is terminating the plan in a distress termination pursuant to section 4041(c) of ERISA.

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A full correction of the liquidity shortfalls within the prescribed periods would have imposed a substantial financial hardship on the Company, as confirmed by the distress termination of the plan. Accordingly, we conclude that the liquidity shortfalls were due to reasonable cause and not willful neglect, and that the Company has taken reasonable steps to remedy the liquidity shortfalls .

Because the liquidity requirement of section 412(m)(5) of the Code was satisfied for the quarter ended December 31, 1997, the 100 percent excise tax of section 4971(f)(2) does not apply with respect to the liquidity shortfall that existed for the quarters ended December 31, 1996, through September 30, 1997.

This ruling letter is directed only to the taxpayer that requested it. Section 6110(k)(3) provides that it may not be used or cited by others as precedent.

We have sent a copy of this letter to the Employee Plans Area Manager for the States Area in

Sincerely yours,

for Ken Yednock, Manager
Employee Plans Technical
Tax Exempt and Government Entities
Division

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