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Internal Revenue Service

Department of the Treasury

Significant Index No. 4971.00-00

Washington, DC 20224

Person to Contact:

Telephone Number:

Refer Reply to:
OP:E:EP:A:1

Date:
MAY 13 1999

In re: Plan =

EIN:

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 first two quarters of the plan year ending June 30, 1996.

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 September 30, 1995, and December 31, 1995. During 1995, the Company experienced a net loss and lack of available cash. The Company's operations were sustained only by financing from their lender. To correct the liquidity shortfall, the Company made a contribution in the fourth quarter of the plan year to fully fund the current liability of the plan.

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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. Accordingly, we conclude that the liquidity shortfalls were due to reasonable cause and not willful neglect, and that the Company has took reasonable steps to remedy the liquidity shortfalls that existed in the plan year beginning June 1, 1996.

Because the liquidity requirement of section 412(m)(5) of the Code was satisfied for the quarter ended June 30, 1996, the 100 percent excise tax of section 4971(f)(2) does not apply with respect to the liquidity shortfall that existed for the first two quarters of the plan year.

We have sent a copy of this letter to the Key District Office in

Sincerely yours,

Carol D. Gold
Director, Employee Plans Division