Internal Revenue Service

Department of the Treasury

199942054

Significant Index No. 0412.06-00

Washington, DC 20224

W/L: 9999.98-00

Contact Person:

Telephone Number:

In Reference to:
OP:E:EP:A:1

Date: JUL 29 1999

In re:

.Dear

This letter constitutes notice that with respect to the above-named defined benefit pension plan we have granted a conditional waiver of the minimum funding standard for the plan year ending July 31, 1997.

The conditional waiver for the plan year ended July 31, 1997 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 waived amount is the contribution which would otherwise be required (after the payment of amounts required under section 412(b)(2)(C) of the Code for a previous waiver) to reduce the balance in the funding standard account to zero as of the end of the plan year for which the conditional waiver has been granted.

The information furnished indicates that the company had net operating losses for its fiscal years ended December 31, 1997 and 1998. The sponsor also had negative working capital for its fiscal years ended December 31, 1997 and 1998. Also, the company had insufficient cash to make the required contribution. However, the company has maintained positive net worth. In addition, the company has enacted numerous measures to effect a recovery. These measures include hiring a new chief financial officer, reducing the number of administrative positions and selling an outdated facility and moving into a more efficient facility. Showing signs of the company's financial improvement, the company had a profit for the three-month period ended March 31, 1999 (this constituted an improvement of nearly 4-½% from the same period in 1998). As for the pension plan, as of August 1, 1998, the value of the assets was equal to 76% of the plan's current liability.

Because the financial improvement of the company is still uncertain, the waiver is subject to the following conditions: (1) the contribution required to satisfy the minimum funding standard (taking into account this waiver) for the plan years ended July 31, 1999 and 2000, is to be timely made as defined in section 412(c)(10) of the Code and (2) the company is to pay the 10 percent excise tax imposed under section 4971(a) of the Code for the plan years ended July 31, 1997 (imposed because of the company's failure to pay the amounts required under section 412(b)(2)(C) of the Code for a previous waiver) and July 31, 1998.

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If these conditions are not satisfied this waiver is retroactively null and void. You agreed to these conditions in a telephone conversation with of our office on July 26, 1999.

Your attention is called to section 412(f) of the Code which describes the consequences which 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 remain unamortized.

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 ended July 31, 1997, the date of this letter should be entered on the Schedule B (Actuarial Information). A copy of this letter should also be sent to the enrolled actuary for the plan. We have sent a copy to the Key District Director in

Sincerely yours,

James E. Holland, Jr.
Chief, Actuarial Branch 1