Internal Revenue Service

Department of the Treasury

Washington, DC 20224

200023053

Significant Index No. 0412.06-00

Third Party contacts: Participants & Congressional Inquiry

Person to Contact:

Telephone Number:

Refer Reply to:
T:EP:RA:T:A1

Date: MAR 15 2000

In re:

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 December 31, 1999.

This conditional waiver for the plan year ended December 31, 1999, 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 to reduce the balance in the funding standard account to zero as of the end of the plan year for which this conditional waiver has been granted.

The information furnished indicates that the Company had net losses for its fiscal years ended December 31, 1996 and 1998. The Company had a net profit for the 11-month period ended November 30, 1999; however, net worth and working capital were negative for this period. Indeed, working capital was negative for the first time in at least four years. Moreover, the Company's cash flow was not sufficient both to meet routine operating expenses such as payroll and to contribute the minimum funding requirement. The Company states that its business is cyclical and that it is merely in a temporary downturn. To hasten its financial improvement, the Company has effected a price increase for its products and has reduced staff. The Company expects cash flow and its general financial position to improve as these measures take effect, but the prospects for marked improvement are still uncertain. As of January 1, 1999, the value of the assets of the plan was equal to 56% of the plan's current liability.

286

Therefore, the waiver is subject to the following conditions:

1) The contributions required to satisfy the minimum funding standard (taking into account this waiver) for the plan years ended December 31, 2000 and 2001, are to be timely made as defined in section 412(c)(10) of the Code.

2) The quarterly contributions described in section 412(m) of the Code are to be made on or before the due dates beginning with the payment due July 15, 2000; and

3) Not later than 90 days from the date of this letter, the Company is to provide a security interest to the plan for the amount of the waiver that is satisfactory to the Pension Benefit Guaranty Corporation.

If any of these conditions is not satisfied, the waiver is retroactively null and void. You agreed to these conditions in your letter dated March 8, 2000.

Your attention is called to section 412(f) of the Code and section 304(b) of ERISA which describe 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 remains unamortized.

When filing Form 5500 for the plan year ended December 31, 1999, the date of this letter should be entered on Schedule B (Actuarial Information). A copy of this letter is being sent to your authorized representative pursuant to a Power of Attorney (Form 2848) on file with this case. A copy of this letter should also be sent to the enrolled actuary for the plan. We have sent a copy of this letter to the Acting Area Manager for Employee Plans in the Area in

Sincerely,

Carol D. Gold, Director
Employee Plans Division
Tax Exempt and Government Entities
Division

287