Internal Revenue Service
Significant Index No. 0412.06-00

Department of the Treasury
200202073
Washington, DC 20224

Person to Contact:

Telephone Number:

Refer Reply to:
T:EP:RA:T:A1
Date:
OCT 15 2001

In re:

Company =

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, 2000. This letter also constitutes notice that we have modified the condition, set forth in our letter of October 13, 1999, for the waiver of the minimum funding standard for the plan year ending December 31, 1998.

The conditional waiver for the plan year ending December 31, 2000, has been granted in accordance with section 412(d) of the Internal Revenue Code (the "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 (after the payment of at least the amount required under section 412(b)(2)(C) of the Code to amortize the waivers for prior plan years).

The Company has struggled financially from its 1989 inception through a management led buyout, generally earning marginal profits and barely achieving required bank loan covenants. In 1997, after posting a large net loss, the Company applied for and received a waiver from the Internal Revenue Service of the minimum funding standard for the 1996 plan year subject to the conditions that the minimum funding standard was met for the 1997 plan year and that an arrangement between the Company and the Pension Benefit Guaranty Corporation (PBGC) was reached allowing for the continuation of the Plan.

On September 5, 1997, the Company, the union representing the Company's labor force, and the PBGC entered into a long term agreement (the "PBGC Agreement") to provide for continuation of the Plan. Under this agreement, the Company was required to contribute $2.1 million to the Plan in 1998, $2.2 million in 1999, and to continue this pattern of contributions, increasing by $100,000 per year, through 2007.

The annual amounts that the Company agreed to contribute to the Plan in the PBGC Agreement (the "Agreed Contributions") were less than the annual amounts necessary (without section 412(d) relief) to meet the minimum funding standards for the Plan. Thus, the Company took steps to increase profitability and available cash flow. In 1997, the Company froze benefit accruals under the Plan for the employees of its larger operation location (approximately 85% of all its employees). (In 2001 the Company froze benefit accruals for its remaining employees at its smaller operation location.) Other cost cutting measures were taken as well so that in 1998, 1999, and 2000, the Company was able to post net gains, and in 2000, was able to contribute to the Plan an amount that was approximately 25% more than the Agreed Contribution for that year.

For 2001, and later years, the Company projects continuing profitability, although with cash flows insufficient for the Company to contribute to the Plan amounts substantially in excess of the amounts in the PBGC Agreement. Thus, the Company foresees several years where the minimum funding standard is not met for the Plan (and therefore is subject to excise taxes). However, the Company also projects that, due to the dual effects of the freezing of the benefit accruals and the increasing amounts in the PBGC Agreement (extended as necessary), the Plan will be fully funded by 2009 or 2010.

Because of the shortfall between the annual Agreed Contributions and the annual plan year minimum funding standards, it was necessary for the Company to apply for a waiver for the 1998 plan year (less the amount required for the amortization of the waiver for the 1996 plan year). This waiver was granted, by letter of October 13, 1999, subject to the condition that the minimum funding standard was met for the 1999 plan year. However, when the Schedule B for the 1998 plan year was filed, the Plan's actuary incorrectly treated the amount required for amortization of the waiver for the 1996 plan year as waived, along with the balance of the minimum funding standard for the 1998 plan year. Correction of this error will result in the failure to satisfy the minimum funding standard for the 1999 plan year. Thus, without modification of the condition in the letter of October 13, 1999, the waiver for the 1998 plan year would be retroactively null and void.

Because the Company has made significant efforts to reduce costs and improve its financial outlook, and the Company has made the required contributions under the PBGC Agreement, it has been determined to be in the participants' best interest to remove the condition to which the waiver for the 1998 plan year was subject, and to grant a waiver for the plan year ending December 31, 2000, subject to the following condition:

> The PBGC Agreement is extended past 2007 until such time as the Plan no longer has a funding deficiency. That is, if necessary, Revere shall contribute $3.1 million to the Plan in 2008, $3.2 million to the Plan in 2009, and to continue this pattern of contributions, increasing by $100,000 per year, until such time as the Plan no longer has a funding deficiency.

If this condition is not satisfied, the waiver for the 2000 plan year is retroactively null and void. You agreed to this condition in a letter dated September 18, 2001.

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 other retirement plans maintained by the Company or to the Company's profit sharing 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.

Please also note that section 412(d)(1) of the Code and section 303(a) of ERISA provide that the minimum funding standard with respect to a plan shall not be waived for more than 3 of any 15 consecutive plan years. Thus, no further waivers can be granted for the Plan for plan years earlier than the 2011 plan year. In the event there is a funding deficiency under section 412 of the Code, section 4971(a) of the Code imposes a tax of 10 percent on the amount of the accumulated funding deficiency. If the funding deficiency is not corrected, section 4971(b) of the Code imposes a tax equal to 100 percent of such accumulated deficiency. Section 3002(b) of ERISA provides that the Secretary of the Treasury may waive the tax imposed under section 4971(b) of the Code in appropriate cases. There is no provision in either the Code or ERISA for a waiver of the 10 percent tax imposed under section 4971(a).

Please note that an application for a waiver of the 100% excise tax imposed under section 4971(b) must be made each year for which there is an uncorrected funding deficiency. Rev. Proc. 81-44, 1981-2 C.B. 618 provides procedures for requesting a waiver of the 100% excise tax imposed under section 4971(b).

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 amended Forms 5500 for the plan years ending December 31, 1998, and December 31, 1999, the date of this letter should be entered on the Schedules B (Actuarial Information). When filing Form 5500 for the plan year ended December 31, 2000, 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 in accordance with a Form 2848 (power of attorney) on file. A copy of this letter has also been sent to the Manager, Employee Plans Classification in A copy of this letter should be furnished to the enrolled actuary for the plan.

Sincerely,

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

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