



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

200520040

FEB 22 2005

SE: T: EP: RA: T: A2

In re:

This letter constitutes notice that, pursuant to your requests of December 12, 2002, as modified by letter from your authorized representative dated January 14, 2005, (1) waivers of the minimum funding standard for the plan year ending September 30, 2004, and (2) waivers of the 100 percent tax under § 4971(b) of Code for the plan years ended [REDACTED] and [REDACTED] have been granted for the above-named pension plans subject to the following conditions:

1. Starting in [REDACTED] and continuing through [REDACTED] the Company will contribute \$30,000 a month to the Hourly Plan. Beginning in [REDACTED] and continuing monthly through [REDACTED] proof that the previous month's contribution was made to the Hourly Plan will be provided to this office by the end of each month at the address below:

Internal Revenue Service

2. The ten percent excise taxes imposed under section 4971(a) of the Code on the accumulated funding deficiencies for both the Hourly Plan and Salaried Plan for the plan years ended [REDACTED] and [REDACTED] shall be paid in full within 120 days from the date of this letter. Within 150 days from the date of this letter, proof that this condition has been met will be provided to this office at the address listed in condition (1).
3. By [REDACTED] the Company will contribute to the Hourly Plan and the Salaried Plan the amounts for which the waivers have been granted for the plan years ending [REDACTED]. By [REDACTED] proof that this condition has been met will be provided to this office at the address listed in condition (1).
4. At the end of each plan year ending [REDACTED] through [REDACTED] the funding standard accounts for both the Hourly Plan and the Salaried Plan will maintain credit balances that are not less than the outstanding balances of the amortization bases, with respect to the waived amounts, that are established and maintained under section 412(b)(2) of the Code.

Your authorized representative agreed to these conditions in a letter dated February 10, 2005. If these conditions are not satisfied, the waivers are retroactively null and void.

The conditional waivers of the minimum funding standards have 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 amounts for which the conditional waivers have been granted are the contributions that would otherwise be required to reduce the balance in the funding standard accounts to zero as of [REDACTED]

The conditional waivers of the 100 percent tax have been granted in accordance with § 3002(b) of ERISA. The amounts for which the conditional waivers have been granted are equal to 100 percent of the accumulated funding deficiencies in the funding standard accounts as of [REDACTED] and [REDACTED] the end of the plan years for which the waivers have been granted, to the extent such funding deficiencies have not been corrected.

The Company manufactures plastic products and has two lines of business. The first business line consists of injection products that the Company has designed and developed itself and then sold directly to retail accounts. The Company owns the molds. The second line of business consists of custom molding products for other businesses.

The Company's financial hardship is due primarily to competition from change in the Company's business mix from approximately [REDACTED]% proprietary and [REDACTED]%

custom molding in fiscal year [REDACTED] to [REDACTED]% proprietary and [REDACTED]% custom molding in fiscal year [REDACTED]. This resulted in decreases in the Company's overall gross margin. The Company had losses of approximately \$ [REDACTED], \$ [REDACTED], and \$ [REDACTED] for the fiscal years ending [REDACTED] through [REDACTED]. A small profit of \$ [REDACTED] was earned for the fiscal year ending [REDACTED] a significant improvement over recent years. According to information received, the Company has received \$ [REDACTED] million in new orders from a cosmetics company. The Company is projecting a profit of approximately \$ [REDACTED] for the fiscal year ending [REDACTED] primarily a result of these new orders.

The Company has submitted a copy of the original contract for the sale of real property owned by the Company and the reinstatement agreement regarding same, dated August 10, 2004. The reinstatement agreement is contingent on rezoning approval. The Company's authorized representative has stated that he has contacted the attorney handling the rezoning and that the attorney is optimistic that the real estate transaction will close relatively soon, perhaps as early as June 2005. The anticipated purchase price is approximately \$ [REDACTED] million, with a minimum price of \$ [REDACTED] million (depending on the total number of lots approved). The purchaser is a high-end residential developer.

The Hourly Plan has been frozen since [REDACTED] and the Salaried Plan has been frozen since [REDACTED]. As of [REDACTED] the Hourly Plan was [REDACTED]% funded on a current liability basis and the Salaried Plan was [REDACTED]% funded on a current liability basis. While there is uncertainty concerning the long-term prospects for the Company, it does appear that the new order described above will greatly improve the Company's financial position over the next two years. By that time, the real estate transaction should be completed, and the Company should be able to move forward with its plan to fully fund the plans. Hence, it has been determined that it is in the best interest of plan participants that the waivers be granted subject to the conditions stated above.

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 plans are 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 deficiencies remain unamortized. Please note that any amendment to a profit sharing plan or any other retirement plans (covering employees covered by these plans) maintained by the Company, 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. Similarly, the establishment of a new profit sharing plan or any other retirement plan by the Company (covering employees covered by these plans) would be considered an amendment for purposes of section 412(f) of the Code and section 304(b) of ERISA.

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 Forms 5500 for the plan years ending [REDACTED] the date of this letter should be entered on Schedule B (Actuarial Information). For this reason, we suggest that you furnish a copy of this letter to the enrolled actuary who is responsible for the completion of the Schedules B.

We have sent a copy of this letter to the Manager, EP Classification in [REDACTED]; to the Manager, EP Compliance Unit in [REDACTED], and to your authorized representative pursuant to a power of attorney on file in this office.

If you have any questions concerning this matter, please contact [REDACTED].

Sincerely yours,



Donna M. Prestia, Manager
Employee Plans Actuarial Group 2