Significant Index No. 4971.08-00

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

201542012

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

JUL 16 2015

SE:T:EP:RA:A2

Re:

Plan No. 004 =
Plan No. 005 =

Impacted Quarters for Plan No. 004 =

Impacted Quarters Subject to 100% Excise Tax for Plan No. 004 =

Impacted Quarters for Plan No. 005 =

Impacted Quarters Subject to 100% Excise Tax for Plan No. 005 =

Consulting Firm X =
Consulting Firm Y =

Company =

Dear :

This letter constitutes notice that a waiver of the 10 percent excise tax due under section 4971(f)(1) of the Internal Revenue Code ("Code") has been granted with respect to the liquidity shortfalls for Plan No. 004 and Plan No. 005 for the Impacted Quarters. This letter also constitutes notice that a waiver of the 100 percent excise tax due for Plan No. 004 and Plan No. 005 under section 4971(f)(2) of the Code has been granted with respect to the liquidity shortfalls for the Impacted Quarters subject to 100% Excise Tax. All references to the Code in this letter are after the amendment by the Pension Protection Act of 2006.

The waiver of the 10 percent tax has been granted in accordance with section 4971(f)(4) of the Code. For the Impacted Quarters for which this waiver has 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 430(j)(4)(E) of the Code) for each quarter, over (2) the aggregate amount of any contributions paid in the form of liquid assets which served to reduce the liquidity shortfall for such quarter and which was paid to the Plan between the last day of the quarter and the due date of the required installment under section 430(j) of the Code for such quarter.

The waiver of the 100 percent tax has been granted in accordance with section 4971(f)(4) of the Code. For the Impacted Quarters Subject to 100% Excise Tax for which this waiver has been granted, the amount of the waiver is equal to 100 percent of the amount of the excess of (1) the liquidity shortfall of the Plan (as determined under section 412(j)(4)(E) of the Code) for each quarter, over (2) the aggregate amount of any contributions paid in the form of liquid assets which served to reduce the liquidity shortfall for such quarter and which was paid to the Plan between the last day of the quarter and the due date of the required installment under section 430(j) of the Code for such quarter.

The Company is a distributor and seller of plumbing fixtures, faucets and fittings. It sponsors Plan Nos. 004 and 005, both defined benefit plans. Consulting Firm X, the Plans' current actuary, was hired to perform the December 1, 2008 valuation report. Prior to that, the Plans' actuary was Consulting Firm Y.

Plan No. 004 first experienced a liquidity shortfall in the Plan quarter ended August 31, 2006. The liquidity shortfall persisted for three quarters, then disappeared for two quarters, and reappeared and continued for several years until November 30, 2012. Plan No. 005 first experienced a liquidity shortfall in the Plan quarter ended February 28, 2010, and then experienced similar shortfalls at the end of each of the subsequent 9 Plan quarters, until May 31, 2012.

The liquidity shortfall for Plan No. 005 disappeared on August 31, 2012 as a result of the natural action of the funding rules under Section 412 and 430 (without regard to the liquidity shortfall) by paying the quarterly and final installments of the Target Normal Cost and the Shortfall Amortization Installments. However, the Company was not aware that a liquidity shortfall had existed until recently.

For Plan No. 004, the liquidity shortfalls were first identified by Consulting Firm X, the Plan's consultant and enrolled actuary, on March 7, 2013 who immediately informed the Company. Prior to notification, the Company was unaware that a liquidity shortfall existed, and sufficient information was not made available to the Company for it to determine that a liquidity shortfall existed. On March 12, 2013, the Company made a contribution to the Plan, which eliminated the liquidity shortfall. Consequently, there was no shortfall for the quarter ending February 28, 2013.

Both Consulting Firm X and Consulting Firm Y initially missed the fact that a liquidity shortfall existed and consequently didn't inform the Company of it until March of 2013.

Therefore, none of the Schedule B's or SB's included with the Form 5500 filings from 2005 through 2010 indicated any liquidity shortfall amounts. However, even though a liquidity shortfall existed, all benefits that should have been paid were paid.

The funding calculations under Sections 4l2 and 430 of the Internal Revenue Code are complex calculations in the Code and generally only a professional in the pension industry, such as an enrolled actuary, can perform them. The Company relied on two firms employing such professionals to advise them and neither firm realized that Plan No. 004 and Plan No. 005 had experienced a liquidity shortfall until 2013. Because of this reliance, it is clear that the Company did not willfully ignore the fact that Plan No. 004 and Plan No. 005 had experienced a liquidity shortfall.

The Company was unaware that the liquidity shortfalls existed for any of the Impacted Quarters until notified by Consulting Firm X on March 7, 2013. Prior to this date, sufficient information was not made available to the Company for it to determine, on its own, that a liquidity shortfall existed. On March 12, 2013, the Company made a contribution to eliminate the liquidity shortfall. The fact that the Company corrected the shortfall in Plan No. 004, within one week of becoming aware of it, demonstrates the Company's commitment to funding within the rules of Sections 412 and 430.

Based on the information above, the liquidity shortfalls experienced by Plan No. 004 and Plan No. 005 were due to reasonable cause and not willful neglect, and reasonable steps have been taken to remedy such shortfalls. The Company made a contribution to the Plan No. 004 and Plan No. 005 once it was notified of the shortfall by the Plan's actuary.

This ruling letter 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.

We have sent a copy of this letter to the Employee Plans Classification Manager in Baltimore and to your authorized representatives pursuant to a power of attorney (Form 2848) on file in this office.

If you have any questions regarding this matter, please contact
(ID#) at ( ) - .

Sincerely yours,

Robert S. Choi
Director, Employee Plans

cc: