199920037

Internal Revenue Service

Department of the Treasury

Washington, DC 20224

Significant Index No. 4971.00-00

Person to Contact:

Telephone Number:

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Date: OP:E:EP:A:2

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In re:

This letter constitutes notice that (1) waivers of the 10 percent tax under section 4971(f)(1) of the Internal Revenue Code have been granted for the above-named defined benefit plan for each of the four quarters of the plan years beginning January 1, 1995, and January 1, 1996, and the first and second quarters of the plan year beginning January 1, 1997, and (2) waivers of the 100 percent tax under section 4971(f)(2) of the Code have been granted for the above-named plan for each of the four quarters of the plan year beginning January 1, 1995, and the first and second quarters of the plan year beginning January 1, 1996.

The waivers of the 10 percent tax have been granted in accordance with section 4971(f)(4) of the Internal Revenue Code, which was added to the Code by the Small Business Job Protection Act of 1996, Pub. L. 104-188. For any quarter for which these waivers have 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 412(m)(5)(E) of the Code) for the quarter, over (2) the aggregate amount of any contributions paid in the form of liquid assets which served to reduce the liquidity shortfall for the quarter, and which were paid to the Plan between the last day of the quarter and the due date of the required installment under section 412(m) for such quarter. The amounts of the waivers of the 100 percent tax are equal to 100 percent of the amounts on which the 10 percent tax were based.

The liquidity shortfalls arose as a result of the inability of the (the "Company") to satisfy the liquidity requirement of section 412(m)(5) of the Code during the 1995 to 1997 period. Section 412(m)(5) and section 4971(f) of the Code were added to the Code by the Retirement Protection Act of 1994 (RPA '94). RPA '94 was enacted on December 8, 1994, and the provisions relating to sections 412(m)(5) and 4971(f) were effective for plan years beginning after December 31, 1994.

In 1992, the Company sold all of its operating assets and ceased active business operations. After 1992, the Company has remained in existence primarily to act as a sponsor for its retirement plans. The Company is the plan sponsor for five qualified pension plans, including the above-named plan. The assets of the five plans are held in a master trust. Because the Company had no substantial assets, affiliates of the Company have had to make contributions to the Company's pension plans. The controlled group of companies of which the Company is a member is made up primarily of manufacturing companies, each of which maintains its own pension plans. One member of the controlled group vas sold in 1994 after incurring large losses related to changes in the The principal member of the controlled group suffered severe cash losses and declining sales during the 1995 to 1998 period, which led to a change in management in 1997.

The Company or its affiliates have always contributed sufficient payments to the Plan to satisfy the minimum funding requirements of section 412 of the Code (other than the liquidity requirement of section 412(m)). The liquidity shortfalls of the Plan were the result, in part, of the payment of a large number of small single-sum distributions that occurred after the sale of the Company's operating assets and the shutdown of the Company's business operations. To correct the liquidity shortfall, the Plan was merged, effective as of June 30, 1997, with the Retirement Plan for Hourly Paid Employees of one of the five plans sponsored by the Company.

A full correction of the liquidity shortfalls within the prescribed periods would have imposed a substantial financial hardship on the Company. Accordingly, we conclude that the liquidity shortfalls were due to reasonable cause and not willful neglect, and that the Company has taken reasonable steps to remedy the liquidity shortfalls that existed in the plan years beginning January 1, 1995, 1996, and 1997.

We have sent a copy of this letter to the Key District Office in

Sincerely yours,

Carol D. Gold

Carol D. Gold
Director, Employee
Plans Division