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

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

JUN 1 1 2007

T:EP:RA:T2

Number: **200736035**
Release Date: 9/7/2007

Re:

Company =

This letter constitutes notice that your request for a waiver of the minimum funding standard for the Plan for the plan year ending , has been granted subject to the following conditions:

(1) by the later of (a) 90 days from the date of the ruling letter or (b) the earlier of (i) the date the Pension Benefit Guaranty Corporation ("PBGC") notifies the Service in writing that this condition has not been met or (ii) 360 days from the date of the ruling letter, the Company provides collateral to the Plan in a form acceptable to the PBGC;

(2) starting with the quarterly contribution due on , the Company makes required quarterly contributions to the Plan in a timely fashion while the Plan is subject to a waiver of the minimum funding standard;

(3) the Company makes contributions to the Plan in amounts sufficient to meet the minimum funding requirements for the Plan for the plan years ending through , by through , respectively (without applying for a waiver of the minimum funding standard); and

(4) the Company provides the PBGC a copy of any ruling requests it makes under section 412(f)(1) of the Code.

You agreed to these conditions in an e-mail sent to us on . If any one of the conditions is not met, the waiver for the plan year ending , is retroactively null and void.

This conditional waiver has been granted in accordance with section 412(d) of the Internal Revenue Code ("Code") and section 303 of the Employee Retirement Income Security Act of 1974 ("ERISA"). The amount for which this conditional waiver has been granted is equal to the contributions that would otherwise be required to reduce the balance in the funding standard account to zero as of .

The Company is a developer and manufacturer of precision-engineered synthetic rubber compound products used in the automotive, medical, irrigation, and office equipment industries. The Company operates one domestic manufacturing subsidiary. One of this subsidiary's manufacturing plants was shut down in , resulting in the termination of over half of the Company's employees. The Company also operates four foreign subsidiaries. Nearly half of the Company's sales are through its foreign subsidiaries. The Plan is sponsored only by the Company and its domestic subsidiary.

The Company's financial hardship is the result of cash-flow problems that arose at the end of 2005. The cash-flow problem arose as a consequence of a number of factors:

(1) In , the Company discovered that certain solvents had leaked into the ground around one of its manufacturing plants. The Company tried to enter a voluntary remediation program in the state where the plant was located, but was prevented from doing so because a number of property owners near the manufacturing facility brought a lawsuit against the Company. In , the Company settled with these landowners for $. As a condition of the settlement, the Company agreed to work with the EPA to receive a remedial action plan to complete the clean-up of the property.

The Company was forced to close this facility, resulting in the loss of almost half of the Company's workforce. Cost associated with the closing exceeded $. Through the end of , the Company has spent almost $ associated with the clean-up of this manufacturing plant and estimates that an additional $ will be necessary to complete the clean-up.

(2) The Company's health-care costs increased % from to , peaking at $ annually. Current healthcare costs are over $ annually, even though the Company has reduced its workforce by nearly %.

(3) The Company's pension funding requirements have increased almost % from $ in to $ for .

(4) Gross sales at the Company's domestic operations have decreased from $ in to $ in as a result of reductions in demand from the Company's traditional U.S. customer base. The reduction in demand is the effect of low economic activity in the U.S., fierce international competition in the Company's industry, and job movement to

(5) The Company's weakened condition has restricted its ability to borrow in the open equity market and has increased its interest costs as a result of failing to meet the covenants on its existing financing arrangements in 3 out of the 4 years from through 2005.

(6) The Company's balance sheet was adjusted to reflect new accounting rules for pension liabilities and deferred tax assets, resulting in a $ decline in equity.

Globally, the Company is doing well financially. However, foreign laws restrict the amount of dividends that can be returned from foreign subsidiaries to the Company. While the Company generated profits in and , these profits were the result of profits at the four foreign subsidiaries. Domestically, the Company continues to operate at a loss. The Company is also operating domestically with a negative cash flow.

It is clear from our analysis of the information submitted with the requests that the Company has suffered a substantial business hardship. The Company, on a whole, suffered losses of $ and $ for the and fiscal years. Domestically, the Company continued to suffer losses for and . However, there do appear to be prospects for recovery:

(1) Product sales from its closed facility have been moved overseas.

(2) Health care plans have been merged and employee premiums and deductibles have been increased to save costs.

(3) "Lean manufacturing" technology is being implemented throughout the Company.

(4) Operations have been established in the Far East to address changes in the global marketplace.

(5) The Company is aggressively pursuing recovery of environmental costs from its insurers.

(6) The Company is actively diversifying its customer base outside its core automotive market.

Furthermore, a cash flow analysis that shows that the Company can meet the minimum funding requirements for the Plan for the duration of the amortization period of the funding waiver. This analysis shows evidence of a turnaround in the Company's financial situation using conservative estimates. Moreover, the Company has demonstrated its commitment to maintain the plan by making the first three required quarterly contributions for the plan year ending , the four required quarterly contributions for the plan year ending , and the first required quarterly contribution for the plan year ending .

While it is not clear that the projected financial turnaround will take place, it is clear that the Company will not be able to meet the minimum funding standard for the plan year without compromising its ability to maintain ongoing operations. Because the Company's financial recovery is not certain, and because the plan is only on a current liability basis, the request for a waiver of the minimum funding standard for the Plan for the plan year ending , has been granted subject to the conditions described 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 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 a profit sharing plan or any other retirement plans (covering employees covered by the Plan) 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 the Plan) 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 Form 5500 for the plan year ending , 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 Schedule B.

We have sent a copy of this letter to the Manager, EP Classification in and to the Manager, EP Compliance Unit in

If you require further assistance in this matter, please contact

Sincerely yours,

Joseph H. Grant, Director
Employee Plans