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200750021

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

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

SEP 19 2007

Re:

Dear

This letter constitutes notice that your request for a waiver of the minimum funding standard for the Plan for the plan year ending December 31, , has been granted subject to the following conditions:

(1) beginning with the required quarterly contribution due on October 15, , for the plan year ending December 31, , the Company makes the required quarterly contributions due on October 15, , January 15, , April 15, , July 15, , October 15, , and January 15, , in a timely manner; and

(2) the Company makes sufficient contributions to meet the minimum funding standard for the Plan for the plan years ending December 31, , and December 31 , , by September 15, , and September 15, , respectively, without applying for a waiver of the minimum funding standard.

Your authorized representative agreed to these conditions in a letter dated September 12, 2007. If any one of the conditions is not met, the waiver for the plan year ending December 31, , 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 contribution that would otherwise be required to reduce the balance in the funding standard account to zero as of December 31, .

The Company operated historically as a textile business. In , the Company acquired the Former Sponsor. The Former Sponsor was in the business of wholesale distribution of buttons and craft articles. As part of the acquisition, the Company assumed sponsorship of the Plan from the Former Sponsor.

The current business hardship was brought on by continued competition with inexpensive foreign textile imports from Asia. As a result of this competition, the Company suffered major losses during the period from through , and the Company's textile business was forced to be discontinued. The Company's only remaining operating business is the button and craft business that was acquired from the Former Sponsor.

Rising pension costs related to the Plan have exacerbated the Company's financial hardship. The minimum funding standard for the and plan years was and $ , respectively. In , the minimum funding standard jumped to $ . This increase in pension costs has created cash-flow problems for the Company.

The Company has taken a number of steps to strengthen its financial position:

(1) the textile business has ceased operations;
(2) the post-retirement medical plan has been terminated;
(3) matching contributions to the Company's 401(k) plan have been discontinued;
(4) the number of employees has been reduced; and
(5) cash payment of preferred dividends was stopped in , .

The Company believes that its prospects for profitable operations are good now that these steps have been taken. However, if the waiver is not granted, the Company represents that it will not have sufficient cash flows or credit availability from its commercial lender to operate its business and will need to seek bankruptcy protection.

It is obvious from the financial information provided by the Company that it has experienced a substantial business hardship. Nevertheless, the Company's financial situation seems to have turned around since it discontinued its unprofitable textile business. Furthermore, the Company made the required quarterly contributions for the plan year ending December 31, , and will make an additional significant contribution of $ towards the minimum funding standard for the same plan year. These facts indicate that the Company's hardship is temporary. However, because the Plan is only 77.00% on a current liability basis, and the prospects for the Company's recovery are uncertain, the request for a waiver of the minimum funding standard for the Plan for the plan year ending December 31, , 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 December 31, , 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 and to your authorized representative pursuant to a power of attorney on file in this office.

If you require further assistance in this matter, please contact

Sincerely yours,

Anthony J. Montanaro
for Donna M. Prestia

Donna M. Prestia
Manager, Actuarial Group 2