



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

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

OCT 21 2009

T.E.P.:RA:A2

Re:

Dear

This letter constitutes notice that the Company's requests for waivers of the minimum funding standard for the Salaried and Hourly Plans for the plan years ending December 31, , and , have been granted subject to the following conditions:

- (1) The Company provides the Pension Benefit Guaranty Corporation ("PBGC") with a copy of any ruling request it makes under section 412(c)(7)(B) of the Internal Revenue Code ("Code");
- (2) Within five (5) business days of the date of the ruling letter, the Company makes contributions to the Salaried and Hourly Plans in the amounts necessary to satisfy the minimum funding standard for each Plan for the plan years ending December 31, , and December 31, . (including interest to the actual date of the contributions);
- (3) Starting with the quarterly contributions due on October 15, 2009, the Company makes the required quarterly contributions to the Salaried and Hourly Plans in a timely fashion while each of the Plans is subject to waivers of the minimum funding standard. For this purpose, the total amount of each quarterly contribution will be determined in accordance with section 430(j)(3)(D) and section 430(j)(3)(E) of the Code, and can be comprised of several installments made prior to the respective due date of the quarterly contribution;

- (4) The Company makes contributions to the Salaried and Hourly Plans in amounts sufficient to (a) meet the minimum funding requirements for each of the Plans for the plan years ending December 31, , through , by September 15, 2010 through 2014, respectively (without applying for a waiver of the minimum funding standard); and (b) maintain credit balances equal to the outstanding balance of the amortization bases with respect to the waived amounts that are established and maintained under either section 412(b)(2)(C) of the Code, as in effect prior to the Pension Protection Act of 2006 ("PPA"), or section 430(e) of the Code, as in effect after PPA, as applicable;
- (5) If the Service determines that pre-2008 funding waiver amortizations are not carried over as a separate amortization base for post- plan years, the Company will make excess annual contributions to the Salaried and Hourly Plans as if the waiver amortizations were carried over as a separate base, such that the waivers will be paid off in five years. The pre-funding balance shall be increased by these additional contributions and maintained until the end of the 5-year period at which time there must be an election to reduce the prefunding balance by the accumulated amount of the excess contributions;
- (6) The Company will (a) make its best efforts to cease benefit accruals for participants in the Hourly Plan effective with the termination of the collective bargaining agreement on September 30, 2010, and (b) if the Company and the Union can reach an agreement to cease benefit accruals under the Hourly Plan, provide a copy of the plan amendment ceasing benefit accruals under the Hourly Plan to the Service and to the PBGC using the fax numbers or addresses below; and
- (7) The Company provides proof of payment of all contributions described above in a timely manner, to the Service and to the PBGC, using the fax numbers or addresses below.

Information must be provided to both of the Service and to of the PBGC (or other individuals designated by the respective agencies), using the addresses or fax numbers below:

Internal Revenue Service
EP Classification
1100 Commerce St. 4923 DAL
Dallas, TX 75242
Fax: 214-413-5507

Pension Benefit Guaranty Corporation
DISC
1200 K Street, N.W.
Washington, DC 20005
Fax: (202) 842-2643

Your authorized representative agreed to these conditions in a letter dated October 1, 2009. If any one of these conditions is not met, the funding waivers for the Salaried and Hourly Plans for the plan years ending December 31, , and , are retroactively null and void.

These conditional waivers have been granted in accordance with section 412(d) of the Code and section 303 of the Employee Retirement Income Security Act of 1974 ("ERISA"). For each Plan, for the plan year ending December 31, , the amount of the conditional waiver is equal to the contributions that would otherwise be required to reduce the balance in the funding standard account of the Salaried and Hourly Plans to zero. For each Plan, for the plan year ending December 31, , the amount of the conditional waiver is the amount of the minimum required contribution for the plan year (not taking into account the amount described in section 412(c)(1)(C) of the Code as in effect after PPA).

The Company manufactures edible collagen casings for a variety of foodservice applications. It is 100% owned by the Holding Company, which is in turn 100% owned by the Parent Company.

The Salaried Plan is a non-contributory defined benefit plan. The Salaried Plan covers all employees of the Company hired before January 31, 2008, excluding leased employees and employees covered by a collective-bargaining contract. The Plan was amended effective January 31, 2008, to close participation to employees hired on or after January 31, 2008, and to cease benefit accruals.

The Hourly Plan is a non-contributory defined benefit plan covering employees represented by the Union pursuant to a collective-bargaining agreement with the Union. The current collective bargaining agreement with the Union runs through September 30, 2010.

The Company began to experience a financial hardship in early 2007 when its largest U.S. customer reduced its purchases after switching to a new technology that does not use the product manufactured by the Company. To respond to the reduced demand for its products, the Company froze all new hiring, shut down one-quarter of its production lines, and laid off both salaried and hourly employees. This resulted in a significant reduction in fixed and variable expenses, but the Company was still forced to borrow \$ million from foreign banks (reaching the credit limit with its lenders), and an additional \$ million for the Parent Company to keep its operations running.

The Company feels that it is in a position to effect a recovery in the near future by concentrating on new products and increasing its customer base. Trials of a new product have begun with its largest customer, and the Company is certain that it will meet the customer's qualification requirements in the near future. Foreign sales have increased as a result of the Company's efforts to expand its presence in those markets, and domestic sales continue to grow for certain of the Company's products. The Company expects to be operating at full capacity in the near future. Because the Parent Company is confident that the Company's financial difficulties are temporary, the

Parent Company provided a capital infusion of \$ million to the Company on July 15, 2009.

The Company has also resumed funding both the Salaried and Hourly Plans. The Company made contributions of \$ on April 15, 2009, and July 15, 2009, to the Plans to satisfy the first and second required quarterly payment for the plan years ending December 31, . The Company has represented that it will also make the required contributions due on October 15, 2009, and January 15, 2010. Furthermore, the Company has agreed to make a contribution equal to the amount necessary to fully amortize the funding waivers that it has requested (approximately \$2.8 million) if the funding waiver requests are granted.

It is clear from our analysis of the information submitted with the request that the Company has suffered a substantial business hardship. It also appears that the business hardship is temporary. Therefore, the Company's requests for waivers of the minimum funding standard for the Salaried and Hourly Plans for the plan years ending December 31, , and , have been granted subject to the conditions described above.

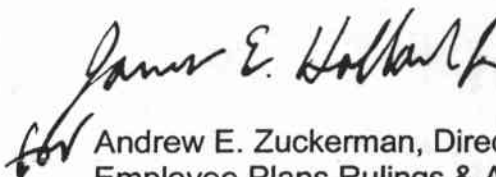
Your attention is called to section 412(c)(7) of the Code and section 304(b) of ERISA which describe the consequences that would result in the event either the Salaried or Hourly Plans is amended to increase benefits, change the rate in the accrual of benefits or to change the rate of vesting, while any portion of the waived funding deficiencies remain unamortized. Please note that any amendment to a profit sharing plan or any other retirement plans (covering employees covered by either the Salaried or Hourly Plan) maintained by the Company, to increase the liabilities of those plans would be considered an amendment for purposes of section 412(c)(7) 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 either the Salaried or Hourly Plan) would be considered an amendment for purposes of section 412(c)(7) 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.

We have sent a copy of this letter to the to the and to your authorized representative pursuant to a power of attorney on file in this office. We suggest that you furnish a copy of this letter to the enrolled actuary who is responsible for the completion of the Schedule B.

If you require further assistance in this matter, please contact

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Andrew E. Zuckerman".

for Andrew E. Zuckerman, Director
Employee Plans Rulings & Agreements