



TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

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

200451034

SEP 24 2004

SE-T-EP-RA-T-A2

Company =

Parent Company =

This letter constitutes notice that a waiver of the minimum funding standard has been granted for the above-named plan for the plan year ending December 31, 2003, subject to the following conditions:

- (1) The Company will make the required quarterly contributions due on [REDACTED] and [REDACTED] to the Plan in a timely manner.
- (2) The Company will make contributions to the Plan in amounts sufficient to meet the minimum funding requirements for the Plan for the plan year ending [REDACTED] by [REDACTED].

Your authorized representative agreed to these conditions in a letter dated September 20, 2004 (which was transmitted by facsimile). If these conditions are not satisfied, the waiver is retroactively null and void.

This conditional waiver of the minimum funding standard has been granted in accordance with section 412(d) of the Internal Revenue 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 the contribution that would otherwise be required to reduce the balance in the funding standard account to zero as of [REDACTED].

The Company is a wholly owned subsidiary of the Parent Company, which also owns two other subsidiaries, which are inactive. The Company's primary business is the design, importation, and sales of textiles for kitchen and bath, such as kitchen, beach, and bath towels, table lines, placemats and pot holders.

The Company's current business hardship has been caused by the general downturn in the economy, high domestic manufacturing costs, the contraction and bankruptcy of some of the Company's major customers, and huge unanticipated funding requirements in the Plan due to several years of decline in the equity market.

The general downturn in the economy has impacted retail sales of domestically manufactured goods. The Company's higher domestic manufacturing costs versus imports have put the Company at a disadvantage in the middle to moderate income market segment that it serves. This market segment was also more severely impacted by the recession than the economy as a whole. Furthermore, many of the Company's customers have either downsized or gone out of business, further squeezing the Company's bottom line.

The Company's prospects for recovery are excellent for several reasons. Over the last three years, the Company has restructured its operations. In response to the downturn in the economy, the Company has drastically reduced its domestic production business by 95% and trimmed its workforce. It now designs the product domestically, manufactures the product abroad, and distributes the finished goods domestically. The Company has also hired a new director of sales and marketing, and expanded its distribution capacity, which has allowed the Company to focus on the more profitable design and distribution of product. Finally, the Company has expanded its product line in order to penetrate new markets and gain new customers.

According to the information submitted by the Company, operating revenues declined % in . The Company suffered net operating losses in , and net losses in and . The Company's cash and cash equivalents also dropped from over \$ in to \$ in . Furthermore, the minimum funding requirement in the Plan jumped from \$ for the through plan years to \$ in and a projected \$ in .

The Company has in place a \$ line of credit that it is using to increase inventory for Christmas sales, and the financial forecasts for appear to show that the Company has turned the corner financially. Furthermore, the Plan has been frozen and the Company has reiterated its commitment to continue funding the Plan, as evidenced by the payment of the first two required quarterly payments for the plan year ending . However, the Plan only has a funded current liability percentage of approximately % as of . Hence, the waiver of the minimum funding standard for the plan year ending has been granted subject to the conditions set forth above.

Your attention is called to section 412(f)(1) 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, to 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 the establishment of another retirement plan, or any amendment to other retirement plans 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.

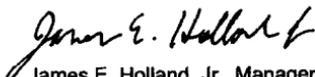
This ruling is directed only to the taxpayer that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited by others as precedent.

When filing Form 5500 for the plan year ending December 31, 2003, 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 your authorized representative pursuant to a power of attorney (Form 2848) on file in this office.

If you require further assistance in this matter, please contact \_\_\_\_\_.

Sincerely yours,

  
James E. Holland, Jr., Manager  
Employee Plans Technical