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

200349002

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

SEP 0 8 2003

SE:T:EP:RA:A0

In re:

(Plan)

Company =
Subsidiary =

Dear

This letter replaces our ruling letter to you dated June 11, 2003, and constitutes notice that a waiver of the minimum funding standard has been granted for the above-named pension plan for the plan year ending September 30, 2002. Our letter dated June 11, 2003, granted a waiver for the same plan year on the condition that the Company executes a security arrangement with the Pension Benefit Guaranty Corporation (PBGC) within 90 days. On June 13, 2003, the Company made a contribution to the Plan for the plan year ending September 30, 2002, in the amount of $800,000. This contribution reduced the amount of the requested waiver to an amount below $1 million, and a PBGC security arrangement is no longer required. Therefore, the waiver for the plan year ending September 30, 2002, is no longer subject to this condition.

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

The Company, through its wholly-owned subsidiary (Subsidiary), operates a business

, in addition to

The Company services

nationwide. In the

1990s, the Company embarked on a plan to narrow its operating focus and the Subsidiary emerged as the primary operating subsidiary of the Company. The Company and its Subsidiary were reorganized in a leveraged recapitalization in 1998, and the Company acquired another business in connection with the recapitalization, both of which resulted in indebtedness for the Company. During the subsequent 1998-1999 period, the Company pursued a strategy to grow through acquisition, which greatly expanded the Company's national presence in the moveable and the support surfaces business, but resulted in additional indebtedness. As a result of high prices paid for acquisitions, over-leveraged debt burdens, and poor execution of operational integration, the Company had increasing difficulty in meeting debt obligations and defaulted on a number of bank covenants. The Company has experienced temporary substantial business hardship as evidenced by operating losses in the fiscal year ending September 30, 2000, and both negative working capital and negative net worth for the fiscal years ending September 30, 1999 and 2000. The Company, Subsidiary, and several of its affiliates filed a pre-negotiated Chapter 11 bankruptcy on January 24, 2001, concurrently filing a pre-negotiated Plan of Reorganization.

The Company emerged from bankruptcy on June 13, 2001, with a restructured balance sheet and a greatly reduced debt load. During the filing period, the Company continued to honor all customer commitments and paid all pre-petition claims of trade creditors in the ordinary course of business as well as satisfying all other vendor claims in full at the end of the Chapter 11 proceedings. As a result of the bankruptcy, the Company lost some of its business to competitors, and suppliers that had previously extended the length of time that the Company had to pay for goods or services began to demand prompt payment or payment in advance, both negatively affecting the Company's cash flow.

As part of its recovery efforts the Company has recruited senior management talent, realigned the sales organization to eliminate management layers and hold sales accountability to a single point of contact, consolidated or closed 10 locations and audited under-performing branches to enhance profitability, terminated poor sales performers, and effected a reduction in force of approximately 300 employees. The Company believes that its financial performance has been essentially restored during the fiscal years 2001 and 2002, and management has positioned the Company to focus on a disciplined growth path. The Company experienced positive working capital and net worth for the fiscal years ending September 30, 2001 and 2002, and had positive income from operations in the fiscal year ending September 30, 2002.

The above-named defined benefit Plan was originally adopted and effective on July 1, 1979. A decline in the market value of assets, an increase in the Plan's current liability, and a decline in the Plan's gateway percentage resulted in the Plan being subject to an additional funding charge (§ 412(l) deficit reduction contribution) for the plan year of the waiver that is more than two times the minimum funding requirement for the same plan year when calculated without the additional funding charge. The amount of the requested waiver only slightly exceeds the additional funding charge for the year. According to information submitted, the market value of assets is approximately 78% of the present value of benefits calculated as though the Plan terminated, and approximately 88.6% of the present value of vested benefits.

Your attention is called to section 412(f) of the Code and section 304 of ERISA which describes the consequences which 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 amount remains unamortized.

This ruling is directed only to the organization 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 September 30, 2002, the date of this letter should be entered on Schedule B (Actuarial Information). We have sent a copy of this letter to the Manager, EP Classification, in , , and to your authorized representatives (Form 2848) on file with this office.

If you have any questions concerning this letter, please contact . In any correspondence relating to this letter, please refer to T:EP:RA:T:A2 as well.

Sincerely,

Carol D. Gold, Director
Employee Plans