Significant Index No. 0412.06-00

200346029

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

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

AUG 19 2003

T:EP:RA:T:A2

In re: Request for waiver of the minimum funding standard for

EIN:

Company =

New Company =

Dear

This letter constitutes notice that a conditional waiver of the minimum funding standard has been granted for the above-named pension plan for the plan year beginning December 1, 2001. The original waiver request, dated February 14, 2003, was amended by a letter dated July 28, 2003, to increase the amount of the requested waiver to include the entire amount of the minimum funding standard for the plan year.

The 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 the conditional 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 is a privately held corporation that manufactured products, having two principal business segments of and The Company had four manufacturing facilities: vitreous china fixtures were manufactured in three facilities, and brass faucets and fittings were manufactured in the other facility. The majority of the assets of the Company were sold in February 2003, and most of the employees of the Company were reemployed by the New Company.

The Company experienced substantial temporary hardship as evidenced by losses from operations and net losses for each of the years 1999 through 2002. Because of the consecutive years of losses, the Company's line of credit was canceled, with temporary extensions granted for reduced amounts, effectively reducing the Company's credit facility.

Steps taken by the Company to effect recovery included:

1. Retaining an investment banking firm to develop a comprehensive marketing program with a detailed prospectus on the Company, and represent the Company in its efforts in the infusion of private capital and/or potential sale of the Company.
2. Retaining a multi-disciplined management consulting company to evaluate the Company's operations and business plan, and provide recommendations for improvement, and hiring a principal of this company as a chief restructuring officer.
3. Implementing marketing and manufacturing initiatives to improve profitability, including the outsourcing of both vitreous china and brass products and the introduction of products to appeal to the price-conscious consumers.
4. Withholding wage increases since January 2001, not paying dividends to shareholders since April 2000, obtaining a one-year extension of the collective bargaining agreement with Local 914, extending vendor payments, closing one of the vitreous china facilities, reducing salaried headquarters staff by 31%, deferring capital expenditures, and significantly reducing or eliminating most business travel, entertainment, advertising and product promotions.
5. Hiring two new top executives in 2003 with extensive experience in effecting turnarounds of troubled companies.

Subsequently, in February 2003, the majority of the assets of the Company were sold to the New Company, including the name of the Company. Most of the employees of the Company were reemployed by the New Company. The terms of the asset sale provided that, although the assets and liabilities of the Plan remain with the Company, the New Company would share in certain of the Company's "legacy costs", which include funding of the pension plans. The New Company would contribute up to at least $12.4 million over time to a fund (legacy fund) from which amounts necessary to pay the required minimum funding payments for the Plan would be paid to the Company for this purpose. As of December 1, 2001, the ratio of the actuarial value of assets of the Plan to current liabilities under the Plan is approximately 78%.

Because of the facts described above, this waiver is granted subject to the following conditions:

1. For each of the plan years beginning December 1, 2002, December 1, 2003, and December 1, 2004, the Company will timely satisfy the minimum funding standard for the Plan for the plan year (including waiver amortization payments for the waiver granted for the plan year beginning December 1, 2001) by August 15 following the close of each plan year.

2. For each of the plan years beginning December 1, 2005, and December 1, 2006, the funding standard account for the Plan will have a credit balance of not less than the outstanding balance of the amortization base established under section 412(b)(2)(C) of the Code for the Plan to amortize this waiver.

If either of these conditions is not satisfied, the waiver granted by this letter is retroactively null and void. The Company has agreed to these conditions.

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 beginning December 1, 2001, 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 SE:T:EP:RA:T:A2 as well.

Sincerely,

Martin L. Pippins

Martin L. Pippins, Manager
Employee Plans Actuarial Group 2

cc:
Manager, EP Classification