200.001043

Internal Revenue Service

Significant Index No. 04 12.06-00

Department of the Treasury

Washington, DC 20224

contact Person:

Telephone Number:

In Reference to:

Date: OP:E:EP:A:2

OCT 1 2 1999

In re:

This letter constitutes notice that a waiver of the minimum funding standard has been granted for the plan year ending March 3 1, 1999.

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

The Company and its subsidiaries, located in the United States and in the United Kingdom, design, produce, and sell and components worldwide. There are three separate lines of business that include products for industrial and commercial uses, processing equipment for industrial applications. The Company has experienced temporary, substantial, business hardship as evidenced by a declining demand in all product tines (except partially due to declining export sales resulting from the financial crisis. The Company experienced negative net income for the twelve months ending March 3 1, 1999, and cash flow problems have been making it difficult for the Company to pay its suppliers within agreed-upon schedules, Additionally, because the Company's information systems were not compatible with the year 2000 (Y2K), it has been necessary for the Company to spend in excess of $750,000 to install new Y2K compatible systems. Additional expenditures will be required to provide additional training for employees, and to enhance the new system to better serve business needs.

The Company has taken a number of actions to effect recovery, including increasing its market share and profitability of its line of business, reducing overhead and the number of employees in businesses, lowering material costs through a centralized purchasing organization, introducing lower cost designs and, with the assistance of union leadership, implementing "lean manufacturing" through improved shop productivity. The Company is deferring all discretionary capital expenditures, except for implementation of new information

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systems that are Y2K compatible, and reducing or eliminating expenses whenever possible. In 1998, the Company won a three-year contract with private industry, and a five-year contract with the U.S. Government, to produce certain parts.

The above-named defined benefit plan experienced a funding deficiency for the plan year ending March 3 1, 1998. The Company paid the excise tax due under Code section 4971(a) on the funding deficiency for the plan year ending March 31, 1998, with a check dated January 15, 1999. The ratio of Plan assets to the present value of benefits is approximately 80 percent as of March 3 1, 1999.

Your attention is called to section 412(f) of the Code which describes the consequences which could result in the event the plan is amended to increase benefits, to change the rate of accrual of benefits, or to change the rate of vesting, while any portion of the waived funding deficiency for the plan 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 March 3 1, 1999, the date of this letter should be entered on the Schedule B (Actuarial Information). A copy of this letter should be furnished to the enrolled actuary for the plan. A copy of this letter is being sent to the Key District Office (EP/EO).

Sincerely yours,

Martin L. Pippins

Martin L. Pippins
Acting Chief, Actuarial Branch 2

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