Internal Revenue Service

Department of the Treasury

199937054

Washington, DC 20224

Significant Index No. 0412.06-00

Person to Contact:

Telephone Number:

Refer Reply to:
OP:E:EP:A:2

Date: JUN 24 1999

In re:

This letter constitutes notice that a waiver of the minimum funding standard has been granted for the plan year ended December 31, 1998.

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, produce equipment for industrial and commercial uses, as well as certain The Company has experienced a declining demand in all product lines (except The Company experienced negative net income for the nine months ending December 27, 1998, 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 $600,000 to install new Y2K compatible systems, with final installations continuing into 1999. The Company has taken a number of actions to effect recovery, including reducing the number of employees in subsidiaries which are not profitable, reducing expenses whenever possible, postponing merit salary increases, lowering material costs through a centralized purchasing organization, introducing lower cost designs, and deferring capital expenses other than the implementation of the new Y2K compatible information systems. The Company won a three-year contract to produce certain but will need to expand its manufacturing capacity to meet the demands of new

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customers for these parts. The Company is actively seeking new customers for its and expects to increase its market share and profitability in this field. The Company is also working to increase sales volume for its other products.

The above-named defined benefit plan experienced a funding deficiency for the plan year ended December 31, 1997. The excise tax due under section 4971(a) of the Code on the 1997 funding deficiency was paid by the Company with a check dated October 15, 1998. The ratio of Plan assets to the present value of vested accrued benefits as of December 31, 1997, is approximately 82.5 percent.

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 December 31, 1998, the date of this letter should be entered on the Schedule B (Actuarial Information). A copy 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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