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ALTERNATIVE REPORTING AND DISCLOSURE STATEMENT FOR
NONQUALIFIED DEFERRED COMPENSATION PLANS

To The Secretary of Labor:

Regarding the unfunded Retirement Plan for Selective Employees of Perry Engineering Company, Inc., the following information is provided by the undersigned:

(1) The name of the employer is: Perry Engineering Company, Inc.

(2) The mailing address of the employer is:

1945 Millwood Pike

Winchester [REDACTED]

Virginia 22602

(3) The Employer Identification Number is: 54-0568466

(4) The above-named employer maintains a plan primarily for the purpose of providing deferred compensation benefits for a select group of management employees.

(5) Number of Plans and Participants in each plan:

One (1) plan covering 41 employees.

(6) The effective date of the plan is 1 October 1997. Additions to and deletions from the plan will occur on or about 1 October each year.

(7) The employer will provide a copy of the agreement to the Secretary of Labor upon request.

PERRY ENGINEERING COMPANY, INC.

By Richard D. Perry Warner
Plan Administrator
Chairman of the Board

Dated December 11, 1997

RECEIVED
1997 DEC 11 10 54 AM
U.S. DEPARTMENT OF LABOR

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TELEPHONE
AREA CODE 540
667-1266

FAX NO.
540-667-1312

Office of Employee Benefits Security
Labor Management Services Administration
U.S. Department of Labor
Washington, D.C. 20216

Re: Perry Engineering Company, Inc.

Dear Ladies and Gentlemen:

Enclosed herewith please find an Alternative Reporting and Disclosure Statement for Nonqualified Deferred Compensation Plans for Perry Engineering Company, Inc. If you have any questions or need any additional information, please advise.

Sincerely yours,



H. K. Benham, III

HKB, III:krb

Enclosure

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U.S. DEPARTMENT OF LABOR

RESOLUTION

I, Rupert W. Werner, Secretary of Perry Engineering Company, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Virginia, DO HEREBY CERTIFY;

That on the 11th day of December, 1997, a meeting of the Board of Directors of said corporation was duly called and held at Winchester, Va, at which a quorum was present, and the following resolution was unanimously adopted by said Board of Directors, to-wit:

WHEREAS, the corporation, as an inducement and motivation to its key managerial employees, desires to create a Selective Employee Retirement Plan;

THEREFORE, BE IT RESOLVED, that this corporation hereby establishes a Selective Employee Retirement Plan in accordance with the following:

1. Purpose. The purpose of the Selective Employee Retirement Plan, hereafter called the "Plan," is to provide benefits for the corporation's eligible employees at death or retirement after attainment of the age of sixty-five (65).
2. Eligibility. The Plan shall be for the benefit of key managerial employees of the corporation as determined by its Board of Directors.
3. Agreement. The corporation shall enter into a Selective Employee Retirement Agreement with each eligible employee. Such Agreement shall be substantially identical to the blank "Selective Employee Retirement Agreement" attached hereto.
4. The effective date of the plan is 1 October 1997. Additions to and deletions from the plan will occur on or about 1 October each year.
5. Amendment and Termination. The Plan shall be subject to amendment or termination at any time by the Board of Directors; such amendment or termination could affect the benefits of eligible employees.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of the Corporation in the City/County of Winchester, State of Virginia, on the 11th day of December, 1997.

Rupert W. Werner
Secretary

SAMPLE SELECTIVE EMPLOYEE RETIREMENT AGREEMENT

This Agreement entered into this _____ day of _____, _____, by and between Perry Engineering Company, Inc., a domestic corporation having its principal office in Winchester, Virginia, hereafter called the "Corporation," and _____, a resident of Frederick County, Virginia, hereafter called the "Employee,"

WITNESSETH:

WHEREAS, the Employee has been employed by the Corporation for _____ years and is now employed by the Corporation in the capacity of _____;

WHEREAS, the Corporation desires to retain the services of the Employee in an executive capacity and is aware that it would suffer financial loss should the Employee enter the employment of a competitor; and

WHEREAS, the Corporation wishes to offer an inducement to the Employee to remain in its employ by agreeing to make certain payments following the Employee's death or retirement.

NOW THEREFORE, in consideration of the services heretofore rendered and to be rendered by the Employee and the mutual covenants contained herein, the parties hereto agree as follows:

1. **RETIREMENT INCOME.** If the Employee remains continuously employed by the Corporation on a full-time basis until his/her retirement from active employment on or after the first day of the month next following his/her attainment of age 65, then beginning in the month of such retirement, the Corporation will pay for 120 months to the Employee monthly installments of _____ percent of the Employee's average monthly salary for the three (3) years prior to the month in which he/she died or retired. If the Employee dies after retirement but prior to receiving 120 monthly installments of deferred compensation as herein provided, the remaining monthly installments shall be paid to the beneficiary designated by the Employee in Schedule A. The beneficiary designated by the Employee in Schedule A may be changed at any time and from time to time by the Employee by written amendment to Schedule A of this Agreement.
2. **PRE-RETIREMENT DEATH BENEFIT.** If the Employee dies prior to retirement and while in full-time employment with the Corporation, the Corporation shall, beginning in the month following the Employee's death, pay the same monthly amount that would have been paid under Paragraph 1 above for 120 months to the beneficiary designated by the Employee in said Schedule A.

3. FORFEITURE PROVISIONS. The Employee shall forfeit all rights in and to any benefits payable under the terms of this Agreement if:
 - a. The Employee dies by suicide within two years from the date of this Agreement.
 - b. The Employee voluntarily leaves the Corporation's service before his/her attainment of age sixty-five (65).
 - c. The Employee is discharged for proper cause prior to the Employee's attainment of age sixty-five (65). The term "proper cause" shall include:
 - (1) failure to perform assigned duties with reasonable skill and diligence;
 - (2) gross misconduct; or
 - (3) conviction of a felony.
 - d. During the employment of the Employee and for one (1) year thereafter (unless the Employee has reached the age of sixty-five (65), the Employee shall not own, operate, be employed by or otherwise have a financial interest in a business which competes with the Corporation within sixty-five (65) miles of Winchester, Virginia.
4. CLAIMS PROCEDURE. The following claims procedure shall apply to the Plan.
 - a. Filing of a Claim for Benefits. The Employee or the Employee's beneficiary shall make a claim for benefits by delivering a written request to the Plan Administrator.
 - b. Claim Approval or Denial. With respect to a claim for benefits, the Plan Administrator shall review and make decisions on claims for benefits. The Plan Administrator shall have complete and sole discretionary authority to determine eligibility for benefits and to construe the terms of the Plan.
 - c. Notification to Claimant of Decision. If a claim is wholly or partially denied, notice of the decision, meeting the requirements of paragraph d. following, shall be furnished to the claimant within a reasonable period of time after the claim has been filed.
 - d. Content of Notice. The Plan Administrator shall provide to any claimant whose claim is denied in whole or in part a written notice setting forth, in a manner calculated to be understood by the claimant, the following:
 - (1) the specific reason or reasons for the denial or partial denial;

- (2) specific reference to pertinent Plan provisions on which the denial is based;
 - (3) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
 - (4) an explanation of the Plan's claim review procedure, as set forth in paragraphs e. and f. following.
- e. Review Procedure. The purpose of the review procedure set forth in this paragraph and in paragraph f. following is to provide a procedure by which a claimant under the Plan may have a reasonable opportunity to appeal a denial of a claim and request a full and fair review. To accomplish that purpose, the claimant or a duly authorized representative:
- (1) may request a review by written application to the Plan Administrator;
 - (2) may review pertinent plan documents or agreements; and
 - (3) may submit issues and comments in writing.

A claimant (or duly authorized representative) shall request a review at any time within sixty (60) days by filing a written application after receipt by the claimant of written notice of denial of his or her claim.

- f. Decision on Review. A decision on review of a denial of a claim shall be made in the following manner:
- (1) The decision on review shall be made by the Plan Administrator, who may in his or her discretion hold a hearing on the denied claim. The Plan Administrator shall make his or her decision promptly, unless special circumstances (such as the need to hold a hearing) require an extension of time for processing, in which case a decision shall be rendered as soon as possible, but no later than one hundred twenty (120) days after receipt of the request for review.
 - (2) The decision on review shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, and specific references to the pertinent Plan provisions on which the decision is based.

- g. For purposes of implementing this claim procedure (not for any other purpose) the _____ of the Corporation is hereby designated as the Named Fiduciary and Plan Administrator of this Plan and Agreement.
5. OTHER BENEFITS. Nothing contained herein shall in any way limit the Employee's right to participate in or benefit from any pension, profit-sharing or other retirement plan for which said Employee is or may become eligible by reason of his/her employment. Nor shall this Agreement replace any contract of employment, whether oral or written, between the Corporation and the Employee but shall be considered a supplement thereto.
 6. PAYMENT OF BENEFITS. All payments provided for by this Agreement shall be made in conformity with the regular payroll procedures in use by the Corporation at the time of payment.
 7. LEAVE OF ABSENCE. The Corporation may, in its sole discretion, permit the Employee to take a leave of absence for a period not to exceed one year. During this time the Employee will still be considered to be in the employ of the Corporation for purposes of this Agreement.
 8. WITHHOLDING. Notwithstanding any of the foregoing provisions hereof, the Corporation may withhold from any payment to be made hereunder such amount as it may be required to withhold under any applicable federal, state or other law, and transmit such withheld amounts to the applicable taxing authority.
 9. GOVERNING LAW. This Agreement shall be governed and construed in accordance with the laws of the State of Virginia.
 10. NONASSIGNABLE. None of the payments provided for by this Agreement shall be subject to seizure for payment of any debts or judgments against the Employee or any beneficiary; nor shall the Employee or any beneficiary have any right to transfer, modify, anticipate or encumber any rights or benefits hereunder; provided, however, that the undistributed portion of any benefit payable hereunder shall at all times be subject to set-off for debts owned by the Employee to the Corporation.

11. **INCAPACITY OF BENEFICIARY.** If the Plan Administrator shall find that any person to whom any payment is payable under this Agreement is unable to care for his/her affairs because of illness or accident or is a minor, any payment due (unless a prior claim therefore shall have been made by a duly appointed guardian, committee, or other legal representative) may be paid to the spouse, a child, parent, or brother or sister, or to any person deemed by the Corporation to have incurred expense for such person otherwise entitled to payment, in accordance with the applicable provisions of this Agreement. Any such payment shall be a complete discharge of the Corporation's liabilities under this Agreement.
12. **ENTIRE AGREEMENT.** This Agreement supersedes all other agreements previously made between the parties relating to its subject matter. There are no other understandings or agreements.
13. **NOTICE.** Any notice to be delivered under this Agreement shall be given in writing and delivered, personally or by certified mail, postage prepaid, addressed to the Corporation at its last known address.
14. **AMENDMENT.** Notwithstanding anything herein to the contrary, this Plan may be amended or terminated by the Employer. Such an amendment or termination could affect your benefits.

WITNESS the following signature and seal:

PERRY ENGINEERING COMPANY, INC.

Kathryn M. Perry Werner, Chairman of the Board

Employee

SCHEDULE A

In the event that the Employee shall die before all benefits due him/her have been paid by the Corporation under the Selective Employee Retirement Agreement between the Corporation and the Employee, which was executed on the _____ day of _____, _____, the Employee hereby designates the following beneficiaries to receive any such unpaid benefits in accordance with the terms of said Agreement:

First Beneficiary (ies):

Second Beneficiary (ies):

In the event of the deaths of all first and second beneficiaries before the death of the Employee, or after the death of the Employee, but before all the unpaid benefits have been paid, any remaining unpaid benefits will be paid to the executor or administrator of the last survivor of the Employee and the designated beneficiaries.

The Employee may change the beneficiaries designated above in accordance with the terms of said Agreement by a written amendment to Schedule A executed by the Employee and reflecting the change.

Executed as of this _____ day of _____, _____.

Employee

Witness

