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Sen. Alfonse D'Amato (pointing) visits Charlotte St. with (l. to r.) the Rev. Louis Gigante, Rep. Mario Biaggi and Rafael Castaneida-Colon, Democratic candidate for councilman. The two state representatives were in South Bronx to announce a \$27.7 million contract for Welbilt Electronic Die Corp. and \$1 million grant to develop Charlotte St. X-DAILY NEWS 111121PD

Award \$27M contract to firm and it's 'family;' 300 more jobs on way

By DAN O'GRADY

John Mariotta received a \$27.7 million defense contract, so it was festival time yesterday for his "family"—the 300 people who work in his two South Bronx factories.

"We'll have to hire from 300 to 350 more employes to build more than 13,000 small engines over the next four years," said Mariotta, president of Welbilt Electronic Die Corp. Headquarters is at 595 Gerard Ave. at 150th St., and the second plant is at Washington Ave. and 149th St. Both are deep into the devastated poverty that is the South Bronx.

Mariotta takes pride in the fact that he has been hiring neighborhood people ever since he founded the company 17 years ago.

HIS SECURITY CHIEF, Julio Rivera, 26, is a prime example. Rivera got his education on the streets of Spanish Harlem and the South Bronx and is a graduate of the Young Lords, the Bronx Reapers and the Savage Skulls—youth gangs that produced far more felons than law-abiding citizens.

Rivera, who has worked for Welbilt for three years, now wears a uniform similar to the one that he said he hated to see coming when he was up to no good as a kid. He lives in the Bronx with his wife, who is expecting their first baby in three months.

Mariotta said there are many stories like Julio's among his employes, who he frequently refers to as "my family."

"Each individual I take off the welfare rolls saves the taxpayers at least \$20,000," the businessman said, "so this contract actually will cost the government very little."

Mariotta well remembers his own poverty-

scarred youth on E. 112th St., in Spanish Harlem. "You couldn't go down any further than that, so the only way left to go was up," he said. "Now, I enjoy giving a helping hand to others."

BESIDES A PAYCHECK, Mariotta provides unusual fringe benefits to his employes. Though a union contract calls for time and a half for overtime, he pays double time. Also, when anyone in his employes' immediate family dies, the company pays all funeral expenses.

There are also interest-free loans for moving or for buying a car, and Welbilt pays 75% of the cost of successfully completed educational courses.

And Mariotta knows how to celebrate. A Latin band was on hand at lunchtime to help celebrate the government contract received from the Army through the Small Business Administration.

The contract was awarded from funds set aside by the Defense Department and the Small Business Administration for minority contractors.

The contract signing was attended by Sen. Alfonse D'Amato, (R-N.Y.) and Housing and Urban Development Secretary Charles Pierce. As HUD, secretary Pierce oversees the activities of the SBA.

Gary Lewi, a spokesman for D'Amato, said Welbilt has "proved itself" with other "modest" contracts it has had with the Army. He said the latest signing was a "very substantial military contract ... that will allow them to grow and be able to compete in the open market."

Lewi said most contracts are not signed with so much fanfare, but said, "In the case of the South Bronx we have a successful minority business employing minorities from the neighborhood and that's reason to shout."

The contract calls for Welbilt to manufacture the "Little Joe," a small and powerful engine used by the military as an all-purpose generator. ■

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COPY



*Welbilt 14377
file*

MAR 25 1983

Honorable John O. Marsh, Jr.
Secretary of the Army
The Pentagon
Room 3E718
Washington, D.C. 20310

Dear Mr. Secretary:

In accordance with the Section 202 of Public Law 95-507 and Section 8(a)(1)(A) of the Small Business Act we hereby request your personal review and decision concerning the U.S. Army Troop Support and Aviation Material Readiness Command's apparent position not to procure the remainder of the Army's current small engine requirement through the Small Business Administration's (SBA) 8(a) program.

On December 20, 1982 the U.S. Army Troop Support and Aviation Material Readiness Command (TSARCOM), without any prior consultation with the SBA, announced in the Commerce Business Daily the issuance of an unrestricted competitive Solicitation No. DAAJ09-83-R-A225 for procurement of 12,000 three horsepower engines. This unilateral action was taken even though the requirement, as evidenced by the TSARCOM's letter of October 3, 1980, is part of the overall Army's requirement for 31,400 Military Standard Engines (1 and 1/2, 3 and 6HP) offered to and accepted by the SBA for procurement through the 8(a) Program. Furthermore, this action was initiated less than three months after the first contract, covering the initial phase of the agreed 8(a) procurement plan, was awarded to Welbilt Electronic Die Corporation (Welbilt).

Both SBA and the firm have already invested several million dollars to establish the basic small engine manufacturing process/capability at Welbilt. Additional investment funds still have to be obtained to bring the efficiency of production to a level which will allow the firm to compete effectively within the industry. It is estimated that the total investment in plant/manufacturing facilities may reach \$10 million. The currently held contract for only the 6HP engines (\$27 million) is neither adequate to amortize this investment nor will it provide the firm with a long enough production run to give the firm time to design, test, and market a line of engines for the commercial market. Therefore, it is imperative that Welbilt be given the opportunity to produce the entire Army's FY 83-86 Military Standard Engine Program requirements in phased sequence as indicated in TSARCOM's letter of October 3, 1980. (Copy of letter enclosed)

We suggest that a meeting between our 8(a) program officials and your staff be immediately convened to discuss this pending matter. You should know that this matter goes beyond one individual firm and one requirement. Through this program, we are attempting to promote this Administration's objectives in redevelopment of depressed urban areas, in this case, Bronx, New York.

We sincerely appreciate your support and commitment to our Small Business Programs and we are looking forward to working together to resolve this current matter in the same cooperative spirit.

Sincerely,

A handwritten signature in cursive script, appearing to read "James Sanders".

James C. Sanders
Administrator

Enclosure

bcc: Jim Jenkins
Lyn Nofziger

EF
MEMORANDUM

THE WHITE HOUSE
WASHINGTON

January 18, 1982

TO: ELIZABETH DOLE
RICK WILLIAMSON
CRAIG FULLER

FROM: JAMES S. ROSEBUSH *JSR*

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PUN

BE003

LG

File 1/16/82

Attached is an article about John Mariotta, the founder and president of Welbilt, the firm on our list for the Urban Issues briefing.

COPY

AUGUST 17, 1981

TWO DOLLARS FIFTY CENTS

Forbes

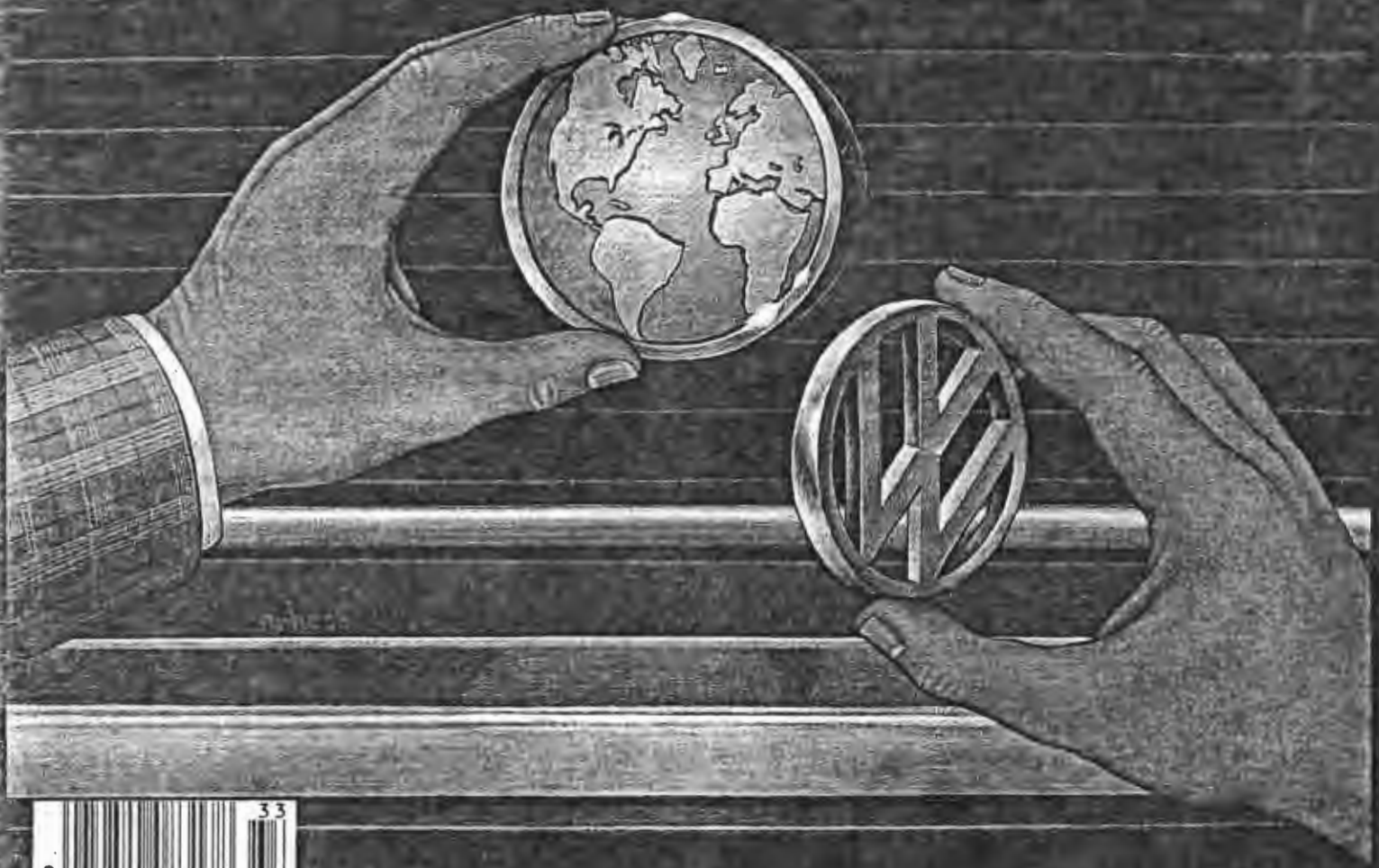
**VOLKSWAGEN
DILEMMA**

**IS THERE ANOTHER
RABBIT IN THE**

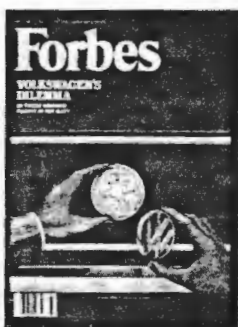
The Up-And-Comers: Welbilt Electronic Die Corp.

"Everybody's running away from the South Bronx,"
says John Mariotta, "and I need more room!"

Welbilt Electronic Die Corp.
595 Gerard Ave., Bronx, N.Y.
(212) 993-0500



August 17, 1981
Volume 128,
Number 4



71 Cover Story: Why isn't the pioneer of well-made small cars sitting on top of the world?



36 Rupert Murdoch: "I don't see any fun in wiring up a lot of bomes. The way to make money is to buy a cable franchise and sell it quickly."



56 Firestone: The liquidity crisis is over. But at what cost?

**31 Companies:
Time Inc.**

The real story is not the inevitable death of the *Washington Star*. The real story is that Time is now more a cable television company than anything else, and one with vast hidden, and undervalued, assets.

**33 Unemployment:
The Hidden Cause**

Why do companies that try to stabilize employment wind up subsidizing those that don't? Because the unstable ones seem to have a lot of political clout.

**34 Companies:
Aetna Life & Casualty**

It's not nearly as conservative as it may seem. Just different.

**35 Investing:
Henry Singleton Scores Again**

Teledyne's chairman is still running his company like a personal investment portfolio—and still picking the right stocks.

**36 Publishing:
A Talk With Rupert Murdoch**

For 30 years, people have been underestimating him. But his worldwide newspaper empire is now nearly as big as the New York Times Co. and Dow Jones combined.

**37 Pharmaceuticals:
Here They Come Again**

Sankyo, Shionogi, Takeda and Fujisawa are not exactly household names in the U.S. drug industry—yet.

**42 Companies:
Georgia-Pacific Corp.**

The market has been treating this onetime growth stock favorite like a has-been. Is it? Or has Wall Street mistaken good sense for stagnation?

**44 Regulation:
The Swimming-Pool Slide Monopoly**

Bureaucratic action created it; bureaucratic inaction preserves it.

**46 The Up-And-Comers:
Boston & Maine Railroad**

Timothy Mellon, 38, is one of those Mellons, but he's hardly your rich playboy. Consider his dream of uniting New England's fragmented railroads.

**51 The Up-And-Comers:
Welbilt Electronic Die Corp.**

"Everybody's running away from the South Bronx," says John Mariotta, "and I need more room!"

**56 Companies:
Firestone Tire & Rubber Co.**

The blood has been running in the gutters in the two years since John Nevin took over, and there may be more to come. What he's looking for is the day he can say, "Damn! It worked!"

**58 Companies:
Arkansas Best Corp.**

"I didn't want to be just a survivor," says H.L. Hembree. "I wanted to *achieve*."

**64 Companies:
Wolverine Worldwide**

Not long ago its advertising slogan, "Hush Puppies are dumb," seemed more candid than clever. These days, the basset hound is considerably less doleful.

**65 Tax-Exempt Bonds:
You Scratch My Back . . .**

How Forsyth, Mont. (pop., 2,800) got its new swimming pool built—and what it all has to do with industrial pollution.

**71 Cover Story:
No More Rabbits In Volkswagen's Hat**

The world's biggest builder of small cars is facing a future of inflated wage costs, stagnant productivity and erosion of export markets. The implications are ominous for Detroit as well as for Wolfsburg.

**78 The Numbers Game:
The Inscrutable CPA**

There are 400,000 manufacturing concerns in China and one accounting firm. The Chinese are trying to do something about it, but it will not be easy.

**82 Taxing Matters:
There Is No Free Lunch**

Or is there?

**83 Companies:
Rohr Corp.**

Carl L. Sadler was once a Rohr director. Now he's its CEO. Retributive justice, some might call it. Including Carl Sadler.

Why is this ghetto outfit making out where so many others have failed? What's Welbilt Electronic Die's secret?

"This is not a chicken-plucking operation"

By Jane Carmichael

JOHN MARIOTTA, the ebullient president of New York City's Welbilt Electronic Die Corp., waves a hand toward the window and the aging red-brick apartment blocks beyond in one of the nation's most notorious slums. "Everybody's running away from the South Bronx," he says, "and I need more room!" He needs more room because Welbilt, which was doing \$1.6 million two years ago and \$300,000 five years ago, is turning out \$12 million worth of metal parts this year.

Mariotta, 52, has just conducted a tour of his three-story brick factory building, which stands in the shadow of Yankee Stadium. Not far away is Charlotte Street, where presidential candidates love to grab TV time by posing against the rubble of burned-out buildings and making grand promises about helping the poor. At least 80% of Welbilt's workers live in the neighborhood. Many of them were on welfare before they came to work here making metal products that range from fins for Sidewinder guided missiles to jet engine and tank parts. "Off welfare, on Welbilt," says Mariotta. "That's our motto."

The motto is an especially apt one these days because Welbilt itself is getting ready to get off the dole. It has taken a fair amount of help from the Small Business Administration and Economic Development Administration to make Welbilt what it is today—\$2.3 million in direct loans, \$3.1 million in loan guarantees. More important, most of Welbilt's current defense contracts, which account for 75% of sales, were secured with the help of Section 8(a) of the Small Business Act, which is designed to help minority-owned businesses get start-

ed. But with the SBA now getting ready to set "graduation" dates for 8(a) firms, it won't be long before Welbilt's apron strings are cut.

Can Welbilt make it in the real world of competitive bidding? Mariotta is confident it can. "This is not a chicken-plucking operation," says Mariotta. "We have produced all these parts for the jet engines without one rejection. We have all the latest technology."

Mariotta was born and raised in New York's Spanish Harlem. He wanted to be a chemist, but, when poor grades in English kept him out of the prestigious Bronx High School of Science, he went to vocational school instead and learned metalworking. Welbilt is Mariotta's fourth attempt at starting a tool-and-die shop. He freely admits that he was the problem with the first three companies. "I'm a tool-and-die maker by trade," he says. "You can be a very good, skillful craftsman, but when you don't have no business sense, oh my God, what a price you have to pay to the school of hard knocks."

Founded by Mariotta in 1965 to make dies and parts for products ranging from baby carriages to ammunition covers for helicopters, Welbilt was floundering. Many such small businesses fold, but Welbilt survived. It's the mark of the successful entrepreneur that he doesn't give up under setbacks. He learns from his mistakes. That's what the school of hard knocks teaches you: to persevere, but pragmatically. Mariotta realized he needed a partner with complementary skills to his own; there were things he couldn't do.

"What I did this time different from the other times, I said, 'Okay, I'm going to get a partner to substitute for my inability.' I did not have a college

education. So I took a partner, Mr. Fred Neuberger." Neuberger, a mechanical engineer with a sheet-metal background, was born in Rumania and as a child fled from the Nazis to what was then Palestine, walking for much of the way. (He, too, was a hard-knocks graduate.) Neuberger put up \$1,000 while Mariotta put up \$2,000—an ownership split that has survived. It was Neuberger's idea to take advantage of some federal programs favoring minority-owned small businesses.

First, Welbilt got an SBA loan for \$25,000 at 7%. Mariotta and Neuberger went through that loan in no time. "Pshew! It went like *that!*" Mariotta claps his hands. Neuberger, roaming around the room in search of a match to light his cigarette, explains: "The oil embargo started, then the customers started to cancel, even IBM cut down. It was a nightmare."

Mariotta, a bit peeved at being interrupted, continues. "I said to Freddie, 'Gee whiz, let's not deal second fiddle.'"

Neuberger again: "That was when we decided to become a prime government contractor."

They finally landed a contract, making air filters for the Bell UH-1 helicopter. Before he could go into production, Mariotta needed another loan to cover tooling costs. Contract in hand, he went back to the SBA. "In those days, for the bank to lend anybody money in the South Bronx, they'd be out of their minds!" he says. The SBA guaranteed 90% of a \$100,000 loan from Banker's Trust.

Welbilt's next major contract was for a component, called the Bell Crank, of the GE engines that propel the F-104 Phantom jet. At this point Mariotta and Neuberger, realizing they needed a numbers man, hired Mario Moreno to be treasurer. Moreno, a Colombian with an M.B.A. from New York University, was teaching at NYU's business school and serving on a volunteer committee to help urban businesses with financial planning. Moreno's committee helped Welbilt prepare the proposal for a bank loan it needed to tool up for the Bell Crank. Moreno straightened out Welbilt's balance sheet and put it on the percentage-of-completion method of accounting, and Welbilt got another loan from Banker's Trust.

The Bell Crank contract was the first order Welbilt got through the 8(a) program. The next was for \$10 million worth of cooling kits for the Armored Personnel Carrier.

Part of Welbilt's strength is Mariotta's ability to keep costs down. His

overhead is low. So are his labor costs. Ninety percent of Welbilt's workers are unskilled when Mariotta hires them, many of them black and Spanish-speaking kids right off the street. That means they start at \$4 an hour, vs. \$10 an hour for an experienced diemaker.

"Most of them cannot even sign an application, but to be a tool-and-die maker you don't have to write," says Mariotta.

Mariotta makes no apologies for taking so much help from the taxpay-

er. "We have helped the government more than the government has helped us," he says. "You ask how? Very simple. We employ 250 people, and 200 of them are from the immediate area who would normally have been on welfare." Mariotta then trots out some rather elaborate arithmetic to prove his point.

His pride is understandable considering the scandals involving the 8(a) program. Hustlers have allegedly set up shell companies "owned" by minorities, then raked in the loans. Oth-

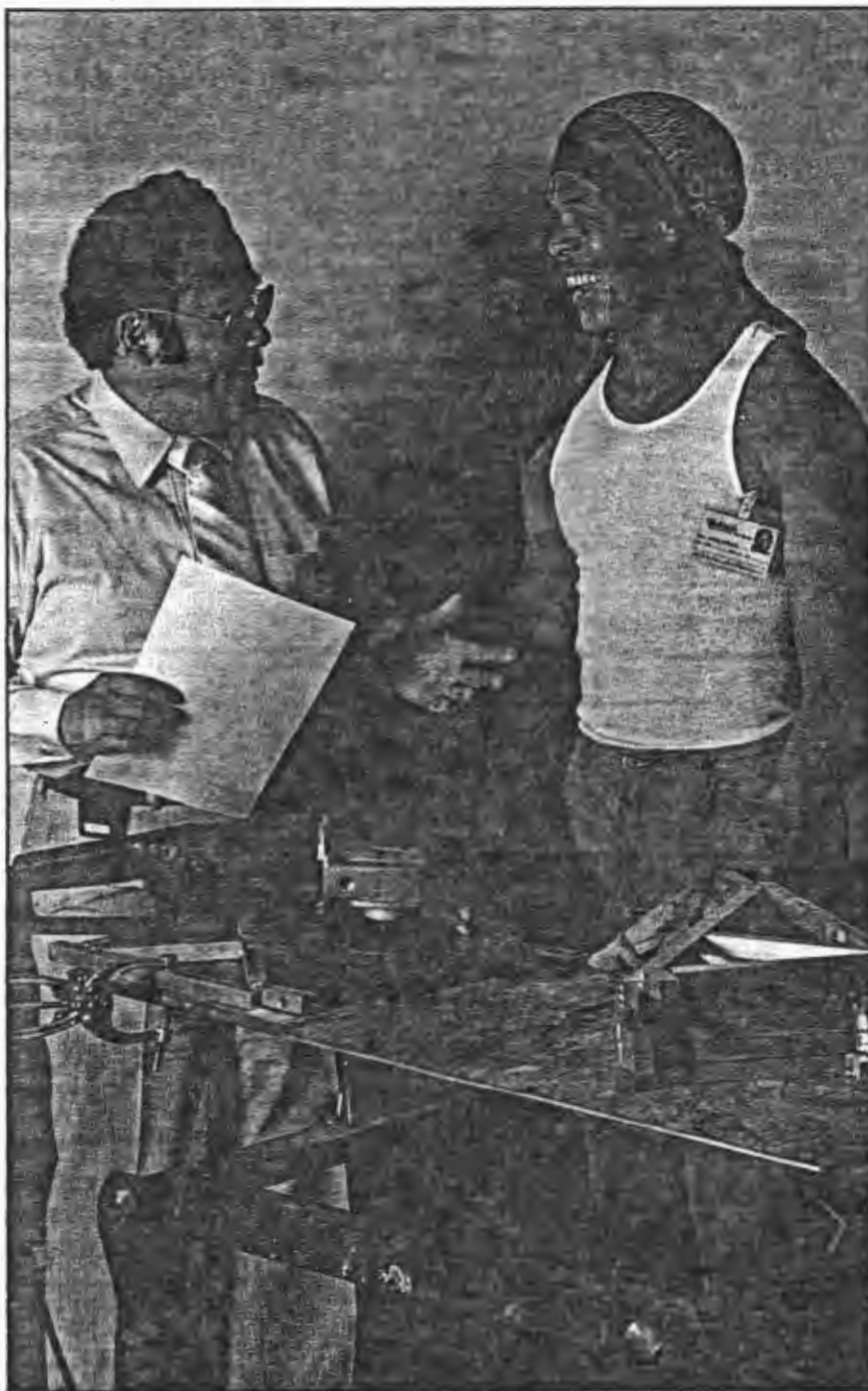
er 8(a) contractors did not have the experience necessary to bring in contracts on schedule, on specification or on budget. Welbilt is a shining exception. Says Don Crow of Tinker Air Force Base in Oklahoma, contracting officer for the Bell Crank, "I wish all 8(a) contractors would follow Welbilt's example."

Impressed, GE has given Welbilt \$2 million in commercial orders, and is now negotiating to give it orders for \$2 million to \$3 million more a year for parts for its new generation of jet engines. Western Electric is completing a deal that gives Welbilt a \$2 million contract to make microwave communications equipment. Mariotta recently set up an export sales office and already has his first export sale, \$130,000 worth of jet engine parts to Japan.

Welbilt is winning these commercial contracts—plus two defense contracts under open bidding—because it has proved it can bring its products in at a cheaper price than the customers can do it themselves. It has also shown it knows how to meet quality standards: GE inspects most outside contracting work at the factory before it is shipped; Welbilt's products can be shipped with no inspection other than its own.

Welbilt is awaiting word on whether it will get a five-year, \$39 million contract to make internal combustion engines for the Army under a pilot program that gives the Small Business Administration, rather than the Army, the power to award defense contracts to minority firms. The engine is a durable, low-maintenance model that could be adapted for commercial use as well, in generation of electricity for emergencies or remote spots such as offshore oil rigs. Its previous price and quality performance make Welbilt a strong contender. "That contract would help us to let go of our shackles with the SBA and become independent," says Mariotta. "We'll be able to sustain ourselves because we [would] have a backlog that would be most favorable to any individual who would love to buy in, to go public, whatever."

So Mariotta wants to go public? Not *wants to; must*. Without the SBA behind it, Welbilt needs commercial credit. The banks may be willing to lend money to Zaire or Poland but not to a company with a debt ratio of 3-to-1. Clearly, Welbilt needs additional equity capital and needs that big contract in order to attract it. Will John Mariotta and Fred Neuberger make it? Knowing how far they've come already, you've got to believe they will. ■



Welbilt President John Mariotta (left) on the shop floor
"Off welfare, on Welbilt—that's our motto."

W-11

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

June 8, 1983

MEMORANDUM FOR FRED F. FIELDING

FROM: JOHN G. ROBERTS

SUBJECT: Welbilt and the Economic
Development Administration

Craig Fuller has inquired if our office can communicate with the Department of Commerce to expedite review of a proposal by Welbilt Electronic Die Corporation pending before the Economic Development Administration (EDA). Jim Jenkins brought the matter to Fuller's attention. Welbilt is a minority enterprise in the Bronx and has benefitted in the past from EDA loans and various programs designed to favor minority businesses. Fuller states that Welbilt "has attracted the interest and support of the community and the administration." The nature of Welbilt's application before EDA is not clear from the material provided by Fuller and Jenkins, but Jenkins asserts that Welbilt needs an answer by Friday from EDA or it may not be able to meet its payroll obligations.

We should not, of course, attempt to persuade EDA concerning the merits of Welbilt's application. Nor should we urge EDA to expedite processing of Welbilt's request. Welbilt has made the urgency of its request known to EDA, and EDA can evaluate that urgency pursuant to its usual procedures and criteria. The most that we can appropriately do is advise EDA, through Commerce, that Welbilt has told the White House that it must have a decision by Friday, and EDA can do with that information whatever is appropriate. Since EDA already knows time is of the essence, nothing will be served by such White House action, and the action could easily be misinterpreted by Commerce and EDA, and misperceived by others, as White House pressure on the merits of the loan or the merits of the expedition request. Accordingly, I recommend no action, and have prepared a memorandum to Fuller so advising him.

Attachment

THE WHITE HOUSE

WASHINGTON

June 8, 1983

MEMORANDUM FOR CRAIG L. FULLER
ASSISTANT TO THE PRESIDENT

FROM: FRED F. FIELDING *Orig. signed by FFF*
COUNSEL TO THE PRESIDENT

SUBJECT: Welbilt Electronic Die Corporation

You have advised this office that Welbilt Electronic Die Corporation requires a decision on its Economic Development Administration application by Friday, and inquired whether it would be appropriate for us to suggest to EDA, through the Department of Commerce, that the Welbilt application be reviewed on an expedited basis. Under the circumstances I do not believe such intervention by the White House would be appropriate. The most we could do would be to communicate Welbilt's concerns to EDA, but it is my understanding that Welbilt has already made clear to EDA the need for expedited consideration. Any communication from the White House could thus be misinterpreted by EDA and/or misperceived by the public as untoward and inappropriate interference, either on the loan decision or the decision to expedite, both of which are EDA's to make.

FFF:JGR:aw 6/8/83

cc: FFFielding
JGRoberts
Subj.
Chron

THE WHITE HOUSE

WASHINGTON

June 8, 1983

MEMORANDUM FOR CRAIG L. FULLER
ASSISTANT TO THE PRESIDENT

FROM: FRED F. FIELDING
COUNSEL TO THE PRESIDENT

SUBJECT: Welbilt Electronic Die Corporation

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FFF:JGR:aw 6/8/83

cc: FFFielding
JGRoberts
Subj.
Chron

WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

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- H - INTERNAL
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- Date Correspondence Received (YY/MM/DD) _____

Name of Correspondent: Craig Fuller

MI Mail Report User Codes: (A) _____ (B) _____ (C) _____

Subject: Wellbilt Electronic Die Corporation

ROUTE TO:	ACTION	DISPOSITION
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<u>CUAT 18</u>	Referral Note:	<u>83106107</u>
	Referral Note:	<u>583106108</u>
	Referral Note:	<u>1 1</u>
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ACTION CODES:

- A - Appropriate Action
 - I - Info Copy Only/No Action Necessary
 - C - Comment/Recommendation
 - R - Direct Reply w/Copy
 - D - Draft Response
 - S - For Signature
 - F - Furnish Fact Sheet
 - X - Interim Reply
- to be used as Enclosure

DISPOSITION CODES:

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FOR OUTGOING CORRESPONDENCE:

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Comments: _____

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THE WHITE HOUSE

WASHINGTON

June 7, 1983

MEMORANDUM FOR FRED F. FIELDING

FROM: CRAIG L. FULLER 

SUBJECT: Welbilt Electronic Die Corporation

This morning, Jim Jenkins provided me with the attached information about Welbilt. EDA is considering a loan to Welbilt and has requested additional information before it can process a loan. Welbilt, by its letter of June 3, 1983 which is attached, has attempted to provide EDA with the information requested and is now waiting for a decision by EDA.

According to Jim Jenkins, Welbilt needs a decision by this Friday or it may not have sufficient funds to meet its payroll obligations.

Welbilt has been an important and positive development in Bronx, New York and has attracted the interest and support of the community and the administration; however, I do not believe that my office can appropriately intervene in the EDA determination.

Is it possible to communicate to the Counsel's office at the Department of Commerce and suggest that the Welbilt project be reviewed on an expedited basis to insure that Welbilt has a decision, one way or another, by the end of the week.

My office will take no independent action. Please let me know if some action can be taken to hasten the process at EDA.

Thank you.



Welbilt

June 3, 1983

Mr. Craig Smith, Regional Director
Economic Development Authority
U.S. Department of Commerce
Philadelphia, Pa

Dear Mr. Smith:

Ref: EDA letter of May 27, 1983

In response to your letter of May 27, 1983, we believe that our request is reasonable and within the goals set to help a small business concern reach a point in its growth when it must look to the private sector for financial support.

Welbilt has grown from 50 to 350 employees since it obtained EDA's loan in 1980. Most of these new employees were classified as structurally unemployable before coming to Welbilt. They have been trained in the South Bronx at no cost to the government to operate the most efficient and sophisticated equipment in existence today. At the same time the company has increased its sales from \$1,500,000 to over \$20,000,000 and profits of \$3,000,000 in 1982. Welbilt has also received the most coveted quality control award from the office of the Under Secretary of Defense (Research and Engineering) in May 1983 (see enclosures).

Welbilt has also been classified by Mr. Henry Jones, Director of Procurement at TACOM (Tank Automotive Command) Warren, Michigan as critical to the national defense by being the sole source of two major critical contracts (Suspension and Cooling Kits) for the overhaul of the M113 Personnel Carriers involving \$4,500,000 invested by the company on tooling in 1981/82 (see enclosures). Welbilt has been informed that if it fails, 3,000 Assembly Line Personnel at Texicana, Texas will be laid-off and national security will be jeopardized.

Welbilt presently has a backlog of over \$70,000,000 in Defense contracts and an impass between EDA and Bank Leumi of first position on \$1,800,000 of total collateral appraised at more than \$12,000,000 should not be a deterrent to delay this approval any longer.

Continued.....

letter to Mr. Smith/ Reg. Director - EDA

June 3, 1983

Page 2

We will try to respond to your points as they were stated in your letter.

1. The company has been operating without a working capital line of credit for three years. Due to the successful growth of the company's defense contract business, cash flow has become constrained because working funds are tied up in inventory. With the proper working capital line to supplement cash flow, EDA will be assured of timely payments. It is Welbilt's intention to bring its loan current and stay current for the term of the loan.
2. The assumptions underlining the cash flow projections were sent last week under separate cover. We are enclosing a copy with this letter.

You suggest in your letter that we delay payments to our vendors. Such actions if taken by Welbilt could slow production, increase CIA and COD requirements on Welbilt's cash flow, increase the risk of legal actions by vendors and cause default on loan agreements and other contracts. This is not a direction Welbilt wishes to take because it could have adverse results on Welbilt and the EDA.

The accounts receivables today are in excess of four million dollars and will go as high as seven million dollars by April 1984. In addition, eleven million in Progress Payments are due to be collected on our current contracts. SBA is owed approximately 2.7 million on its prior liens and Welbilt has repayed SBA approximately 2.5 million over the past four months. If we had not been forced to accelerate payments to this extent, we would be current with all our obligations

3. Welbilt formally requests that EDA approve the proposal as set forth in the Bank Leumi letter of May 19, 1983. Consideration offered to EDA is as follows:
 - a) We propose to make an advance payment of two monthly installments and intend to maintain two months in advance for the remainder of the schedule.
 - b) Increase of interest rate on the direct loan by one quarter of one percent.

Continued.....

Page 3

4. In regard to consideration at the time of interest adjustment (if any) after five years Welbilt will give the same interest adjustment for the direct loan that is made for the guarantee loan. Increase interest rates have some impact on cash flow but have no effect on the collateral in this proposal. The EDA direct loan will be reduced over the next five years and there will be one guarantee loan open as all others would have matured by this time. If we consider the factors the EDA would have less debt and more collateral at the end of five years.
5. Bank Leumi will exercise strict control on the disbursement of all funds received from this line of credit.
6. We are aware that approvals take many weeks, however, this proposal has been before the EDA for several weeks. During this time the EDA was aware of the critical nature to the company of this proposal. Therefore, we think prompt action is appropriate. Moreover, we are concerned that any delay could cause severe problems for the company and undo the success that the company has made with the cooperation of the EDA.

Welbilt believes that based on its successful growth, profitability, quality of performance on its defense contract and its current backlog, this request is justifiable and in the best interest of Welbilt, the EDA and the defense agencies on the contract.

Very truly yours,

WELBILT ELECTRONIC DIE CORPORATION


John Mariotta, President

enclosures
cc: S. Ed Morris