This particular error is not on the official Apple list of Sad Mac errors. Instead, this error was listed in a table from the book: "Encyclopedia Macintosh" by Craig Danuloff and Deke McClelland. They list the problem as an I/O error.

Traditionally, I/O errors indicate a hardware problem with a disk drive.

What to do
Assume that you have a problem with a disk drive and proceed accordingly. You will likely end up having to replace the disk drive.