Significant Index No. 0412.06-00

200829031

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

TAX EXEMPT AND GOVERNMENT ENTITIES DIVISION

APR 23 2008

T:EP:RA:A2

Re:

Hospital =

Company A =

Dear

This letter constitutes notice that your request for a waiver of the minimum funding standard for the Plan for the plan year ending December 31, 20 , has been granted subject to the following conditions:

(1) On or before May 20, 20 , the Hospital makes a contribution to the Plan in an amount equal to the amortization base established with respect to the waived amount for the plan year ending December 31, 20 ;

(2) For the plan year ending December 31, 2007, the Plan maintains a credit balance equal to the outstanding balance of the amortization base with respect to the waived amount for the plan year ending December 31, 20 , that is established and maintained under section 412(b)(2) of the Code, as in effect prior to the Pension Protection Act of 2006 ("PPA");

(3) If the Service determines that funding waivers granted with respect to plan years beginning before the first plan year beginning on or after January 1, 20 (i.e., January 1, 2008, for the Plan), are carried over as a separate amortization base for post-2007 plan years, credit balances are maintained in the funding standard account of the Plan that are not less than the outstanding balances of the amortization base with respect to the waived amount that is established and maintained under section 412(b)(2) of the Code, as in effect prior to the PPA, for each of the plan years ending December 31, 2008, through December 31, 2011;

(4) If the Service determines that funding waivers granted with respect to plan years beginning before the first plan year beginning on or after January 1, 20 (i.e., January 1, 2008, for the Plan), are not carried over as a separate amortization base for post-2007 plan years, the credit balance that exists in the Plan as of January 1, 2008, is reduced in accordance with PPA; and

(5) The Hospital provides proof of payment of all contributions described above to of this office, using the fax number or address below, and to the PBGC.

Information must be provided to both of our office and to of the PBGC (or other individuals designated by the respective agencies), using the addresses or fax numbers below:

Internal Revenue Service | Pension Benefit Guaranty Corporation

You agreed to these conditions on April 17, 2008. If any one of these conditions is not satisfied, the waiver will be retroactively null and void.

The conditional waiver of the minimum funding standard has been granted in accordance with section 412(d) of the Internal Revenue Code and section 303 of the Employee Retirement Income Security Act of 1974 ("ERISA"). The amount for which this conditional waiver has been granted is equal to the contributions that would otherwise be required to reduce the balance in the funding standard account to zero as of December 31, 20 .

The Hospital has been experiencing financial difficulties which have accelerated over the last three years. During this period, the Hospital has incurred operating losses (excluding one time items) of approximately $. The Hospital incurred operating losses in 20 and 20 , excluding one time items, of $ and $, respectively. The combination of operating losses coupled with the financial impact associated with the dissolution of its 20 merger with Company A, has strained the cash flow of the Hospital.

Between 20 and 20 , the Hospital was affiliated with Company A, a national health care organization. The affiliation was entered into under the expectation of showing financial savings. When those savings did not materialize, the merger was disbanded, and the Hospital was disassociated with Company A as of January 1, . As a result of the disassociation, the Hospital paid off debt of approximately $ and was required to transfer $ to Company A.

Other factors contributing to the economic hardship and losses being experienced by the Hospital include reduced in-patient admissions resulting from increased competition and changes in technology. In addition, an increase in uninsured individuals in the Hospital's service area has increased the Hospital's percentage of uninsured patients by 45% for the period 20 through 20 . This increase cost the Hospital approximately $ during this period.

In light of a reduced inpatient census, a decision was made to take 82 beds out of service. This resulted in an annual reduction of approximately $ in operating expenses through the reduction of staff and related fringe benefit expenses. In addition, the Hospital identified three parcels of real property for possible sale that are not either currently utilized or strategically important. One property is about to go under contract and the sale of the other two properties is expected to yield approximately $. Further, the Hospital has executed contracts for the sale of its Home Care service. It is expected that this transaction will be completed by May 1, 20 , and will yield approximately $ which will be placed directly into the Plan.

While the Hospital has suffered a substantial business hardship, it has shown that it is committed to funding the Plan by making contributions to the Plan for the plan year for which the funding waiver was requested. However, since the prospects for the Hospital's financial recovery are uncertain, and the Plan is only 71% funded as of January 1, 20 , the waiver of the minimum funding standard has been granted to the Plan for the plan year ending December 31, 20 , subject to the conditions stated above.

Your attention is called to section 412(f) of the Code and section 304(b) of ERISA which describe the consequences that would result in the event the Plan is amended to increase benefits, change the rate in the accrual of benefits or to change the rate of vesting, while any portion of the waived funding deficiency remains unamortized. Please note that any amendment to a profit sharing plan or any other retirement plan (covering employees covered by this Plan) maintained by the Company, to increase the liabilities of those plans would be considered an amendment for purposes of section 412(f) of the Code and section 304(b) of ERISA. Similarly, the establishment of a new profit sharing plan or any other retirement plan by the Company (covering employees covered by this Plan) would be considered an amendment for purposes of section 412(f) of the Code and section 304(b) of ERISA.

This ruling is directed only to the taxpayer that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited by others as precedent.

We have sent a copy of this letter to the
to the . We suggest that you furnish a copy of this letter to the enrolled actuary who is responsible for the completion of the Schedule B.

200829031

If you require further assistance in this matter, please contact
at

Sincerely yours,

Andrew E. Zuckerman
Director, EP Rulings & Agreements