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

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

FEB 23 2008

SE:T:EP:RA:A2

Re:

Hospital =

State =

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, , has been granted subject to the following conditions:

(1) Collateral acceptable to the Pension Benefit Guaranty Corporation ("PBGC") be provided to the Plan for the full amount of the waiver by the later of (a) 120 days from the date of the ruling letter or (b) the earlier of (i) the date the PBGC notifies the Service in writing that this condition has not been met or (ii) 360 days from the date of the ruling letter;

(2) The Hospital provides to the PBGC a copy of any ruling request it makes under section 412(c)(7)(A) of the Code;

(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, 2008 (i.e., January 1, 2008, for the Plan), are carried over as a separate amortization base for post- plan years, then, for each of the plan years ending December 31, , through December 31, , the sum of the prefunding balance and the funding standard carryover balance under section 430(f) must not be less than the outstanding balance of the amortization base with respect to the waived amount that was established and is being maintained for the funding waiver pertaining to the plan year ending December 31, ;

(4) If it is determined that funding waivers granted with respect to plan years beginning before the first plan year beginning on or after January 1, 2008 (i.e., January 1, 2008, for the Plan), are not carried over as a separate amortization base for post- plan years, the Hospital must elect during the plan year containing the effective date of the relevant sections of the final regulations (this is section 1.430(a)-1 of the proposed regulations), to reduce to zero the funding standard carryover balance that exists in the Plan, pertaining to the funding waiver for the plan year ending December 31, , in accordance with PPA;

(5) Starting with the quarterly contribution due on April 15, , the Hospital makes the required quarterly contributions to the Plan in a timely fashion while the Plan is subject to a waiver of the minimum funding standard. For this purpose, the total amount of each quarterly contribution will be determined in accordance with section 430(j)(3)(D) and section 430(j)(3)(E) of the Code, and can be comprised of several installments made prior to the respective due date of the quarterly contribution;

(6) The Hospital makes contributions to the Plan in amounts sufficient to (a) meet the minimum funding requirements for the Plan for the plan years ending December 31, , through , by September 15, through , respectively (without applying for a waiver of the minimum funding standard) and (b) satisfy conditions (3), (4) and (5); and

(7) The Hospital provides proof of payment of all contributions described above to the Service and to the PBGC using the fax numbers or addresses below.

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

You agreed to these conditions in a letter dated February 3, 2009. 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, .

The Hospital has been experiencing financial difficulties which have accelerated during , , , and into the first part of . During the period from , the Hospital incurred operating losses (excluding one time items) of approximately $ . The Hospital incurred operating losses in and , excluding one time items, of $ and $ respectively. The combination of operating losses coupled with the financial impact associated with the dissolution of its merger with Company A, has strained the cash flow of the Hospital.

Between and , 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. Furthermore, the change in the economic base of the surrounding Hospital, and the general increase in the State's uninsured individuals, has increased the Hospital's percentage of uninsured patients by 45% for the period through . This has resulted in a net revenue loss of approximately $ during this period.

The Hospital has taken steps to return to profitability. Initially, the Hospital has taken 82 beds out of service, which results in a $ savings. It is also exploring the sale of property that is not utilized or is no longer strategically important to the functioning of the Hospital. In addition, the Hospital is engaging in discussions regarding the sale of a unit which will result in savings and in dollars received. Also, the Hospital is actively seeking additional compensation from the State through a grant request, and there is the possibility that the State and/or Federal governments will increase their funding of and/or reimbursements to the Hospital. Further, because of the closing of a nearby hospital, they have received approximately 50% of that neighboring hospital's patients which resulted in a 10% increase in revenue that substantially affects the Hospital's financial viability. Finally, the Hospital has become a "Critical" facility and its critical nature has grown.

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 71.6% funded as of January 1, , the waiver of the minimum funding standard has been granted to the Plan for the plan year ending December 31, , 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 Hospital, 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 Hospital (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.

When filing Form 5500 for the plan year ending December 31, , the date of this letter should be entered on Schedule B (Actuarial Information). For this reason, we suggest that you furnish a copy of this letter to the enrolled actuary who is responsible for the completion of the Schedule B.

We have sent a copy of this letter to the Manager, , to the Manager, and to your authorized representative pursuant to a power of attorney on file in this office.

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

Sincerely yours,

Andrew E. Zuckerman
Director, EP Rulings & Agreements