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

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

AUG 2 1 2007

T:EP:RA:A2

Number: **200746019**
Release Date: 11/16/2007

Re:

Company =

Bank =

Property A =

Property B =

Property C =

State =

State Agency =

Federal Agency =

Dear :

This letter constitutes notice that your requests for waivers of the minimum funding standard for the Plan for the plan years ending August 31, , and August 31, have been granted subject to the following conditions:

(1) Within 30 days from the date of this letter, the Company makes a contribution equal to the amount necessary under section 412(b)(2)(C) of the Internal Revenue Code ("Code") to amortize the waived funding deficiency for the plan year ending August 31, , in the Plan's funding standard account for the plan year ending August 31, . According to information received from the enrolled actuary servicing the Plan, this amount is approximately $. This amount was due on May 15, 2007, to satisfy the minimum funding standard for the plan year ending August 31, (after taking into consideration the approval of a funding waiver for the same plan year).

(2) Within 30 days from the date of this letter, the Company files a Form 5330 to report the accumulated funding deficiency of approximately $ for the plan year ending August 31, , and pays the 10% excise tax that is due under section 4971(a) of the Code.

(3) The Company makes sufficient contributions to meet the minimum funding standard for the Plan for the plan year ending August 31, , by May 15, .

(4) By May 15, 2009, the Company contributes sufficient funds from the proposed sales of Properties A, B, and/or C to fully fund the Plan on a current liability basis.

(5) The Company provides details of any sale of Properties A, B, or C within 30 days from the date of the sale to of this office, by facsimile at or to the following address:

The information provided should include (a) the name of the property sold; (b) the sale price; (c) the amount of the sale proceeds used to satisfy the Company's debt to the Bank; and (d) the amount of the sale proceeds contributed to the Plan.

You agreed to these conditions in an e-mail sent to us on August 14, 2007. If any one of the conditions is not met, the waivers for the plan years ending August 31, , and August 31, , are retroactively null and void.

These conditional waivers have been granted in accordance with section 412(d) of the Code and section 303 of the Employee Retirement Income Security Act of 1974 ("ERISA"). The amounts for which these conditional waivers have been granted are equal to the contributions that would otherwise be required to reduce the balance in the funding standard account to zero as of August 31, 2005, and August 31, 2006.

The Company is a not-for-profit organization in the State. It provides programs and services for children and adults with disabilities throughout the State. The Company's programs include childcare, pediatric rehabilitation, camping, recreation, health, wellness, vocational rehabilitation and placement, and residential services. The Company serves over 3,000 children and adults with disabilities on a yearly basis. A substantial portion of the Company's support is from government grants, contracts and public contributions.

The current financial hardship was brought on by a significant increase in expenses due to a number of factors:

(1) the renovation of a facility in 1999,
(2) the construction and start-up of a new facility in , and

(3) the take-over of various programs in the western part of the State from the State Agency.

A decline in public support during and exacerbated the financial hardship by causing the Company to operate with total net deficits for the fiscal years ending August 31, and August 1, . These factors eventually led to the Company's independent auditors issuing a report for the fiscal year ending August 31, , raising doubts about the Company's ability to continue as a going concern. Shortly thereafter, the Company became unable to make required debt payments to its bank and other creditors.

As a consequence, the Company took a number of steps to improve its financial position:

(1) the chief executive officer was replaced,
(2) operations were restructured to optimize program effectiveness and financial performance,
(3) bank debt was restructured,
(4) steps were taken to restore donor confidence, and
(5) attempts are being made to sell certain of the Company's real property.

While the operational improvements have enhanced the Company's financial position, the Company continued to operate with a total net deficit and the Company's independent auditors again issued a report for the fiscal year ending August 31, , raising doubts about the Company's ability to continue as a going concern.

It is obvious from the financial information provided by the Company that it has experienced a substantial business hardship. Starting in the fiscal ear ending August 31, , expenses have greatly exceeded revenues, resulting in a net decrease of assets of over $ from through . The Company has operated with a growing total net deficit since the fiscal year ending August 31, . While the situation has somewhat improved for the fiscal year ending August 31, , the fact remains that the Company's independent auditors have serious doubts about the Company's ability to continue as a going concern.

However, the Company has made some contributions to the Plan for the plan years ending August 31, , and . Furthermore, the Company has recently received appraisals for parcels of real estate that it owns. The Company has indicated that it would use the proceeds of the sale of its real estate to fully fund the Plan. The highest-valued property is currently subject to a deed restriction by the Federal Agency, but the Company expects this restriction to be lifted shortly.

While it is not clear that a financial turnaround will take place, it is clear that the Company will not be able to meet the minimum funding standard for the plan years ending August 31, , and August 31, , without compromising its ability to maintain ongoing operations. Moreover, there is a significant possibility that the sale of real estate could fully fund the Plan. Because the Company's financial recovery is not certain, and because the plan is only 57.82% funded on a current liability basis, the request for waivers of the minimum funding standard for the Plan for the plan years ending August 31, , and August 31, , have been granted subject to the conditions described 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 deficiencies remain unamortized. Please note that any amendment to a profit sharing plan or any other retirement plans (covering employees covered by the 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 the 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 years ending August 31, , and August 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 .

Sincerely yours,

Donna M. Prestia
Manager, Actuarial Group 2