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200820036

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

TAX EXEMPT AND GOVERNMENT ENTITIES DIVISION

FEB 22 2008

T:EP:RA:T:A2

Re:

Hospital =

State =

Dear :

This letter constitutes notice that a waiver of the minimum funding standard for the plan year ending December 31, 2006, has been granted for the above-named pension plan subject to the following conditions:

(1) Collateral acceptable to the 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(f)(1) of the Code;

(3) Starting with the quarterly contribution due on April 15, 2008, the Hospital will make the required quarterly contributions to the Plan in a timely fashion while the Plan is subject to a waiver of the minimum funding standard;

(4) The Hospital makes contributions to the Plan in amounts sufficient to meet the minimum funding standard for the Plan for the plan years ending December 31, 2007, through 2011, by September 15, 2008 through 2012, respectively (without applying for a waiver of the minimum funding standard);

(5) The Hospital provides proof of payment of all contributions described above to f this office, and to the PBGC; and

(6) 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, are not carried over as a separate amortization base for post-2007 plan years, the Hospital will make annual contributions to the Plan for each of the plan ~~years beginning January 1, 2008, through 2011, in excess of the minimum~~ required contribution (as described below), and the Hospital will:

(a) elect (pursuant to section 430(f)(6)(B)(i) of the Code and section 303(f)(6)(B)(i) of ERISA) to increase the prefunding balance for the plan for the plan year beginning January 1, 2009, 2010, and 2011 by the amount of such excess,

(b) maintain a prefunding balance for the plan years beginning January 1, 2009, 2010, and 2011, that is at least equal to the accumulated amount of such excess contributions, and

(c) elect (pursuant to section 430(f)(5)(A) of the Code and section 303(f)(5)(A) of ERISA) to reduce its prefunding balance for the plan year beginning January 1, 2012, by the accumulated amount of such excess contributions. The amount of each annual contribution in excess of the minimum required contribution for the plan years beginning January 1, 2008, through 2011, will be the amount that is the excess of:

    (i) the 5-year amortization amount of the 2006 funding waiver based on the law prior to PPA, over

    (ii) the amount that would be needed to amortize the unamortized balance of the 2006 funding waiver as of January 1, 2008, over 7 years.

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

Internal Revenue Service
SE:T:EP:RA:T:A2
1111 Constitution Avenue N.W. (PE-4B5)
Washington, DC 20224
Fax: (202) 283-9525

Pension Benefit Guaranty Corporation
DISC
1200 K Street, N.W., Suite 2541
Washington, DC 20005
Fax: (202) 842-2643

You agreed to these conditions in a letter dated January 17, 2008. If any one of these conditions is not met, 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 the conditional waiver has been granted is the contribution that would otherwise be required to reduce the balance in the funding standard account to zero as of December 31, 2006.

The Hospital offers a full range of acute care, medical and surgical services, intensive care and emergency services, maternity services, specialty outpatient clinics including an HIV/AIDS clinic, and ten major outpatient and inpatient substance abuse and alcoholism treatment programs.

During 2005 and 2006, the Hospital experienced operating problems related to the high level of bad-debt write-offs for uninsured patients being treated; a decrease in their deficit revenue grant funding for alcohol and substance abuse programs; and a shift in the Hospital's payor mix towards a higher concentration of Medicaid and lower income self-pay patients, especially in the area of maternity, family practice clinics, and alcohol and substance abuse clinical programs.

Other conditions contributing to the hardship include: financial market conditions, low interest rates, a general decline in hospital reimbursements from government and private insurers, increasing expenses, and an increase in the number of Medicaid and uninsured patients being treated at the Hospital's health care facilities.

To bring expenses in line with its revenues, the Hospital undertook a cost reduction initiative in the first quarter of 2007, which decreased its full-time employees by 78. In addition, the Hospital is seeking State approval to open a cardiac catheterization laboratory (for which $3 million in funding has been secured), becoming certified as a stroke center by the State's Department of Health, and the initiation of a capital campaign with a goal to support the creation of new operating room suites, the establishment of a new obstetrical unit, the formation of a cancer treatment center.

The Hospital's projected cash flows indicate that they will be able to satisfy the Plan's minimum funding requirement without needing to supplement the cash flow with funds from their Endowment Investments.

While the Hospital has suffered a substantial business hardship, the hardship appears temporary. The projected cash flows provided by the Hospital show that it will be able to satisfy the Plan's minimum funding standard during the period that the funding waiver will be in effect without needing to supplement the cash flow with funds from their endowment. Furthermore, the Hospital 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 72.13% funded as of January 1, 2006, the waiver of the minimum funding standard has been granted to the Plan for the plan year ending December 31, 2006, 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.

When filing Form 5500 for the plan year ending December 31, 2006, 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, EP Classification in Baltimore Maryland, to the Manager, EP Compliance Unit in Chicago, Illinois, and to your authorized representative pursuant to a power of attorney on file in this office.

If you have any questions concerning this matter, please contact

Sincerely yours,

Michael D. Julianelle
Director, Employee Plans

cc: