Significant Index No. 0412.06-00

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

200831027

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

MAY 09 2008

T:EP:RA:T:A2

Re:

Hospital =

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 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 Internal Revenue Code ("Code");

(3) The Hospital makes contributions to the Plan in amounts sufficient to fully fund the Plan on a termination basis for the plan year beginning January 1, , by September 15, ;

(4) Starting with the quarterly contribution due on January 15, 2009, 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;

(5) 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, , through , by September 15, through , respectively (without applying for a waiver of the minimum funding standard); and

(6) The Hospital provides proof of payment of all contributions described above 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

Your authorized representative agreed to these conditions via email on March 27, 2008. If any one of these conditions is not satisfied, the waiver will be retroactively null and void.

This conditional waiver of the minimum funding standard has 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 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, 2006.

The Hospital provides Inpatient Rehabilitation services, a wide variety of Outpatient services, Skilled Nursing services, and has a wholly owned for-profit subsidiary pharmacy. Due to declining inpatient volumes, the Hospital closed its Emergency Department and General Medical Acute Inpatient wing. The Hospital then focused on developing a niche in Outpatient services which include Wound Care and Hyperbaric Oxygen Treatment, Physical and Occupational Outpatient services, Long Term Care including Skilled Nursing, and an Adult Day Care service.

The net effect has been to reduce the direct competition with local hospitals while offering complementary services in the community/market place. However, during the summer of 2006, the Hospital began to experience a downturn in Outpatient services and reacted by eliminating positions, renegotiating contractual agreements, offering owned real estate for sale, and freezing the non-union portion of the defined benefit plan. The strain from this drop in volumes has significantly affected the operating cash flow; however, the measures taken in 2006, along with reducing purchased services, has started to show positive results. Contributing to their hardship, the affiliation established in 1998 with another hospital in order to consolidate operating expenses, dissolved in 2002. As a consequence, the Hospital has been experiencing increased overhead.

The Hospital is now in affiliation discussions with another local hospital and has signed a letter of intent to "merge" (via an asset acquisition) in the first quarter of .

Pursuant to the terms of the transaction the Hospital will use the resulting income to eliminate its debt and fully fund the Plan on a termination basis as soon as possible thereafter.

While the Hospital has suffered a substantial business hardship, it has shown that it is committed to funding the Plan by committing to make contributions sufficient to fully fund the Plan on a termination basis by September 15, . However, since the prospects for the Hospital's financial recovery are uncertain, a waiver of the minimum funding standard has been granted for the Plan for the plan year ending December 31, , subject to the conditions set forth 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.

If you require further assistance in this matter, please contact

Sincerely yours,

Andrew E. Zuckerman
Director, EP Rulings & Agreements