



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

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

201204023

NOV 03 2011

SE:T:EP:RA:A2

Re:

Dear

This letter constitutes notice that your requests for (a) a modification of the waiver of the minimum funding standard granted to the Plan for the plan year ending December 31, 2004, and (b) a waiver of the minimum funding standard for the Plan for the plan year ending December 31, 2007, have been granted. The waiver of the minimum funding standard which was granted for the Plan for the plan year ending December 31, 2004, has been modified by removing conditions (3) and (4) contained in the ruling letter dated September 15, 2005. The waiver of the minimum funding standard for the Plan for the plan year ending December 31, 2007, has been granted subject to the following conditions:

- (1) Collateral acceptable to the PBGC is provided to the Plan for the full amount of the waivers 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 Company provides the PBGC with a copy of any ruling request it makes under section 412(c)(7)(B) of the Code;

- (3) Starting with the quarterly contribution due on October 15, 2011, the Company 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;
- (4) The Company makes contributions to the Plan in amounts sufficient to meet the minimum funding requirements for the Plan for the plan years ending December 31, 2010, through 2012, by September 15, 2011 through 2013, respectively (without applying for a waiver of the minimum funding standard);
- (5) The Company does not make an election seeking funding relief under the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010 (PRA 2010) for the plan year ending December 31, 2011; and
- (6) The Hospital provides proof of payment of all contributions described above in a timely manner, to the Service and to the PBGC, using the addresses or fax numbers below.

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

Internal Revenue Service
10 Metro Tech Center
625 Fulton Street
Brooklyn, NY 11201
Fax: (718) 488-2352

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

You agreed to these conditions in a letter dated August 2, 2011. If any one of these conditions is not met, the modification of the waiver of the minimum funding standard granted to the Plan for the plan year ending December 31, 2004, and the waiver of the minimum funding standard granted for the Plan for the plan year ending December 31, 2007, is retroactively null and void.

The conditional waiver granted for the Plan for the plan year ending December 31, 2007, has been granted in accordance with section 412(d) of the Internal Revenue Code ("Code") and section 303 of Employee Retirement Income Security Act of 1974 ("ERISA"), both as in effect prior to the Pension Protection Act of 2006 ("PPA '06"). The amount for which this waiver has been granted is equal to the contributions that would otherwise be required to reduce the balance in the funding standard account of the Plan to zero as of December 31, 2007.

The Company is a section 503(c)(3) tax-exempt, not-for-profit corporation. On July 1, 1983, the Company assumed operations of the System from the Hospital Commission of the County. The Company operates 2 hospitals, an outpatient healthcare facility, and a nursing home under a 50-year lease agreement with the County.

In the last few years, the Company has been faced with the same difficulties affecting other non-profit hospitals: (1) rising staffing costs, (2) flat or lower reimbursement rates, and (3) increasing numbers of uninsured and underinsured patients. The Company is the largest provider of healthcare services in the County, and also serves a sizable portion of the uninsured and underinsured population in surrounding areas.

The State is the only remaining all-payor state where a government agency regulates the rates that hospitals can charge for services. In general, all hospitals in the State must charge regulated rates. This business restraint is exacerbated by the fact that hospitals in a nearby jurisdiction are not subject to these restraints. Therefore, large health insurers have negotiated better rates in the nearby jurisdiction, and have chosen to limit their contracts with the Hospital. Also, the high proportion of indigent patients has forced the Hospital to contract for coverage from many physicians, which is critical for the continued operation of the Hospital and to provide services to the community the Hospital serves. Supplemental payments to independent physicians providing hospital-based services have caused the Hospital to suffer losses. Furthermore, rising costs associated with the maintenance of the Plan have caused the Hospital to suffer severe cash-flow restraints.

The financial information provided by the Company clearly shows that it has suffered a substantial business hardship. However, the County and State have recognized the Hospital's need for increased reimbursement rates and additional revenue to fund operations. The Hospital is a crucial health care provider in the County, and the State and the County have committed themselves to finding a solution to the Hospital's financial hardship.

Based on information provided by the Company, it has continued to make contributions to the Plan since filing the ruling the requests described above. In fact, the 2004 funding waiver has been fully amortized (assuming the modification request is granted), and sufficient contributions have been made to the Plan to date to make the Company fully caught-up with required Plan funding (assuming the 2004 modification request and the 2007 funding waiver request are granted). Financial projections also indicate that the Company will generate sufficient cash flows to be able to meet the minimum funding requirements of the Plan for the fiscal years ending June 30, 2011, through 2015, assuming that the 2004 funding waiver is modified and the 2007 funding waiver is granted. Furthermore, while there was a question as to whether the Company made an election seeking funding relief under the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010 (PRA 2010) for the plan year ending

December 31, 2010, we have determined that based on the facts and circumstances, such an election was not made. Accordingly, the Company's requests for (a) a modification of the waiver of the minimum funding standard granted to the Plan for the plan year ending December 31, 2004, and (b) a waiver of the minimum funding standard for the Plan for the plan year ending December 31, 2007, have been granted.

Your attention is called to section 412(c)(7) of the Code and section 304(b) of ERISA, both in effect prior to PPA '06, which describe the consequences that would result in the event either 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(c)(7) 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(c)(7) of the Code and section 304(b) of ERISA.

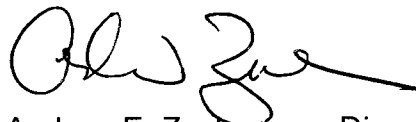
This ruling is directed only to the taxpayer that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited by others as precedent.

We have sent a copy of this letter to the
and 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
Employee Plans Rulings & Agreements