



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

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

SEP 16 2004

In re:

Hospital =

This letter constitutes notice that a conditional waiver of the minimum funding standard has been granted for the above-named pension plan for the plan year beginning

The conditional waiver has been granted in accordance with section 412(d) of the Internal Revenue Code (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 of the plan to zero as of the end of the plan year (after the payment of amortization payments for any prior waivers).

The Hospital is a voluntary, not-for-profit acute care community hospital, with inpatient beds, skilled nursing beds, a home health agency, an emergency ambulance service, a broad range of ambulatory services, and a rehabilitation unit added in . The Hospital's primary sources of revenues are , and other third party payors.

The Hospital is experiencing substantial business hardship as evidenced by negative working capital and net worth for , and , and losses from operations in and . The Hospital believes that its present hardship stems from Medicare cuts implemented in , which are projected to have a negative bottom line impact of approximately \$ per year.

In order to effect recovery and improvement in the Hospital's financial position, the Hospital hired an outside consultant to develop a turnaround plan, which will be implemented over the 30 months from to . The

Hospital's cash position has already shown improvement. Key elements of the new plan identified to date include:

- Develop a Medical Staff recruiting and retention plan with their new Medical Director;
- Complete a major modernization of the Emergency Room, where the majority of their patients form their initial impression of the Hospital (construction scheduled to begin in _____);
- Expand the inpatient Obstetrics service (re-opened in _____) and Rehabilitation program (added in _____);
- Strengthen the case management function to reduce length of stay, which will reduce costs, and increase bed availability;
- Obtain new Radiology and IS systems to increase automation, which produce quality and cost benefits across the entire institution;
- Explore potential staff reductions identified in certain departments;
- Obtain one-time \$ _____ cash flow benefit by accelerating collection of patient arrears; and

The Plan was frozen with respect to both the entrance of new participants and benefit accruals on _____. As of _____, the current liability funded percentage for the Plan was _____%.

The Hospital previously received conditional waivers for the _____ plan year and for the _____ plan year. Because recovery prospects are still somewhat questionable, this waiver is granted subject to the following condition.

By _____ days from the date of this letter, collateral acceptable to the Pension Benefit Guaranty Corporation (PBGC) will be provided to the Plan to secure the repayment of the _____ plan year waiver (in addition to the collateral provided to secure the sum of the outstanding balances of the _____ and _____ plan year waivers).

The Hospital has agreed to this condition. If this condition is not satisfied, this waiver is retroactively null and void.

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 other retirement plans maintained by the company to increase the liabilities of those plans, or the establishment of new plans, would be considered an amendment for purposes of section 412(f) of the Code and section 304(b) of ERISA.

Also, please note that this is the third waiver for the Plan. Under section 412(d)(1) of the Code and section 303(a) of ERISA, no more than three waivers may be granted for any 15 consecutive plan years. Thus, the next plan year for which a funding waiver could be considered is the _____ plan year.

This ruling is directed only to the organization 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 beginning _____, the date of this letter should be entered on Schedule B (Actuarial Information). We have sent a copy of this letter to the Manager, EP Classification, in _____ and to your authorized representatives, as provided in a power of attorney (Form 2848) on file with this office (_____)

If you have any questions concerning this letter, please contact _____ . In any correspondence relating to this letter, please refer to SE:T:EP:RA:T:A2 as well.

Sincerely,



for Carol D. Gold, Director
Employee Plans