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TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

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

OCT 14 2003

T:EP:RA:T:A2

In re:

Company =

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 January 1, 2002.

The conditional waiver has been granted in accordance with section 412(d) of the Internal Revenue Code (the "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 2002 plan year.

The Plan population consists of approximately 621 active participants and approximately 100 retirees. As of January 1, 2002, the present value of accrued benefits under the Plan was $12,243,905, the current liability was $14,066,335, and the market value of Plan assets was $11,460,385.

The Company is a non-profit corporation and was formed by the merger of the at the end of 1999. At the same time as the corporate merger, the respective defined benefit pension plans maintained by the two hospitals were merged to form the Plan. The Company is located in , approximately 40 miles The Company is the only acute care hospital in and serves a population of approximately 100,000.

The Company has experienced temporary substantial business hardship as evidenced by net losses in income and negative working capital during the 2000 through 2002 fiscal years. The economic factors impacting hospitals in New York are similar to those affecting hospitals nationwide: operating costs to provide care services have been increasing while the charges for those services are limited by the amount HMO's, government insurers, and other large health insurance companies will pay.

The merger that formed the Company was intended to be a cost-cutting measure through an alignment of operations and a consolidation of facilities. Prior to, and subsequent to the merger, economic conditions such as declining patient-care revenues and increased costs for wages and recruitment in response to a national shortage of healthcare personnel caused the hospitals to operate at substantial net losses. The net losses experienced by the Company for the 2000 and 2001 fiscal years were approximately $3.7 million and $3.2 million, respectively. Working capital figures have ranged from negative $4 million for the 2000 fiscal year to negative $6 million for the 2002 fiscal year. Throughout the 2000 to 2002 period, however, the Company has maintained a positive net worth. The net loss for the 2002 fiscal year decreased to $356,374. The Company was able to continue in operation due to healthy cash flows generated during these years.

Measures have been taken by the Company to reduce its accounts receivables and thereby increase its working capital. Such measures include timely reimbursement terms in newly negotiated contracts with several payors and enhanced collection procedures. The Company's efforts to affect a turnaround include staff reductions, eliminating non-profitable services, outsourcing functions, consolidation of services, and inventory control. Revenue enhancement efforts undertaken by the Company include the installation of newer technology, upgrading operating room equipment, adding a family practice clinic, and privatizing of a care center. The Company has also devoted resources to analyzing existing contracts and establishing new contracts with non-Medicare payors. Financial projections made by the Company show an expected net profit for the 2003 fiscal year. Additionally, the Company projects sufficient net income through 2007 to enable continued funding of the Plan if a waiver is granted. Accordingly, this waiver has been granted subject to the following condition:

> By January 15, 2004, all necessary documents to provide an arrangement to secure the repayment of the waived amount satisfactory to the Pension Benefit Guaranty Corporation shall be executed.

The Company has agreed to this condition. Nothing precludes the Company from subsequently requesting a modification of this condition. If the Company fails to meet this condition (as stated above or as modified later), 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 describes the consequences which result in the event the plan is amended to increase benefits, to change the rate in the accrual of benefits, or to change the rate of vesting while any portion of the waived amount remains unamortized. Please note that any amendment to other pension or profit sharing plans 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.

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 ending December 31, 2002, 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,

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 yours,

Carol D. Gold, Director
Employee Plans