[redacted]

20033801 7

Significant Index No. 0412.06-00

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

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

JUN 23 2003

T:EP:RA:T:A1

In re:

Dear

This letter constitutes notice that with respect to the above-named money purchase pension plan we have granted a waiver for the plan year ended December 31, 2001.

This waiver for the plan year ended December 31, 2001 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 waived amount is the contribution which would otherwise be required to reduce the balance in the funding standard account to zero as of the end of the plan year for which this waiver has been granted.

The Plan sponsor is a nonprofit corporation, which operates healthcare systems and facilities. The business hardship experienced by the sponsor primarily resulted from a managed care contract entered into between a subsidiary hospital owned by the sponsor and PacifiCare, which caused the hospital to incur net losses during the first two years of the contract. The contract was terminated in June 1999, effective January 1, 2000, and was replaced by a fee-for-service contract. The new contract reversed the losses that the hospital had suffered, but the shift from the prepayment system to the fee-for –service system resulted in cash flow problems. Furthermore, the physician's group incurred additional losses because it was unable to cancel its contract with PacifiCare until March 31, 2001.

The business hardship appears to be temporary and related to the contract with PacifiCare. Additionally, the company has reviewed all of its billing and data processing and procedures and many changes have been made to insure that the company receives correct reimbursement.

When a defined contribution plan receives a waiver of the minimum funding requirements, the plan, in accordance with Rev. Rul. 78-233, 1978-1 C.B. 125, must be amended to reflect the waiver if the plan does not otherwise provide for such waiver

Your attention is called to the following:

(1) Section 412(f) of the Code describes 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.

(2) Section 412(d) of the Code provides that the amortization charge described in Section 412(b)(2)(C) must be computed by using an interest rate as descrived in Section 412(d)(1).

(3) Section 412(b)(2)(C) of the Code, as amended by Section 9307(a)(1) of the Omnibus Bucget Reconciliation Act of 1987, requires that, for plan years beginning after December 31, 1987, each waived funding deficiency must be amortized by equal annual installments over a period of 5 years. This provision is applicable to an amortization base established in a plan year beginning after December 31, 1987, as in this case for the waiver granted for the plan year ending December 31, 2001.

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.

In accordance with the instructions to Form 5500, a Schedule B (Actuarial Information) must be filed for each plan year for which a waiver is being amortized (see line 5 of Schedule R [Retirement Plan Information]). Schedule B should be filed for this plan; accordingly, when filing Form 5500 for the plan year ending December 31, 2002, the date of this letter should be entered on Schedule B (see line 8a). For this reason we suggest that you furnish a copy of this letter to the individual who is responsible for the completion of the Schedule B, who does no have to be an enrolled actuary in this case.

A copy of this letter is being sent to the Manager, Employee Plans Classification in A copy of this letter should be furnished to the enrolled actuary for the plan.

If you have any questions on this ruling letter, please contact

Sincerely,

Norman Greenberg

Norman Greenberg
Manager, Actuarial Group 1