Significant Index No. 0412.06-00

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

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

SEP 15 2005

SE:T:EP:RA:T:A1

Company =

This letter constitutes notice that a waiver of the minimum funding standard for the above-named plan for the plan year ending [redacted] has been granted subject to the following conditions:

(1) the amortization payment for the waiver of the minimum funding standard for the plan year ending [redacted], be made by September 15, [redacted]

(2) the Company makes contributions to the Plan in the amount of [redacted] by [redacted] to be applied to the plan year ending [redacted]

(3) the Company makes additional contributions to the Plan in the amount of [redacted] by [redacted], to be applied to the plan year ending [redacted]

(4) the Company makes all required quarterly contributions for the plan year ending [redacted] to the Plan in a timely manner;

(5) 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, [redacted], and [redacted] by September [redacted] respectively (without applying for a waiver of the minimum funding standard); and

(6) proof that the installment payments described in (1) and (2) above were made to the Plan will be provided to this office by January 15, 2006[redacted]and [redacted] Additionally, proof that the quarterly contributions described in (4) above were made will also be provided to the same office by [redacted] and [redacted]. This information should be sent to attention at:

Internal Revenue Service
SE:T:EP:RA:T:A2
1111 Constitution Avenue, N.W., PE-4E2
Washington DC 20224

You agreed to these conditions in letter sent via facsimile dated September 14, 2005. If these conditions are not satisfied, the waiver is retroactively null and void.

This conditional waiver 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 amount for which this conditional waiver has been granted is the contribution that would otherwise be required to reduce the balance in the funding standard account to zero as of December 31, 2004.

The Company is a licensed skilled nursing facility providing a wide range of both long term and short term care programs, and a comprehensive outpatient rehabilitation facility.

The current financial hardship was brought on by competition from other facilities for referrals which has reduced the daily bed census from 98.5% to 96%. In addition, the Company began admitting a population whose required intensity of care has lessened, causing reduced reimbursements. Due to competition for qualified staff, the Company has increased wages and benefits to recruit and retain personnel. Moreover, the reimbursement rate for pharmaceuticals has not kept up with the actual cost of the pharmaceuticals.

The Company has taken a number of steps to improve its financial situation. Among these steps is an application to HUD to secure an operating loss loan. The purpose of this loan is to provide working capital. The Company has worked with it's vendors to extend payables to either 90 or 120 days in order to help cash flow. The company has entered into an agreement with its pharmacy supplier which is expected to generate additional savings. The Company anticipates that the reimbursement rates from Medicare, private pay, and third party insurers will improve. The bed census has inched upward over the past 18 months, and the Company expects this to continue due to aging population demographics

Actions taken by the Company has improved its financial position such that it is clear the business hardship was temporary. Hence, the waiver for the plan year ending December 31, 2004, has been granted, 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 plans (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.

When filing Form 5500 for the plan year ending December 31, 2004, the date of this letter should be entered on Schedule B (Actuarial Information). For this reason, we suggest that you furnish a copy of this letter to the enrolled actuary who is responsible for the completion of the Schedule B.

We have sent a copy of this letter to the Manager, EP Classification in to the Manager, EP Compliance Unit in , and to your authorized representative pursuant to a power of attorney on file in this office.

If you require further assistance in this matter, please contact

Sincerely yours,

Donna M. Prestia, Manager
Employee Plans Actuarial Group 2