

June 19, 2009

Patrick D. Dello Russo
City of Melrose
CFO/City Auditor
City Hall
562 Main Street
Melrose, MA 02176

Dear Patrick:

Enclosed is the \$30,000 one-time payment we discussed at our meeting on June 5 regarding the City of Melrose. As with our previous payments, Hallmark Health does not want the payment for 2009 to be linked with any specific positions or needs within Melrose and prefers that there would be no formal announcement regarding this contribution.


As we discussed, based upon the financial results for our last fiscal year we are not in the position to make further commitments until we have a clearer picture of our financial results for this fiscal year and we have completed our budget cycle for next fiscal year. We are continually confronted with significant financial pressures which impede our progress towards our budgetary goals. Recent example: we now understand the State has defaulted on Medicaid payments through June of this year which will greatly impair our cash flow.

Also, we should make a point to initiate ongoing communications regarding our respective budgetary cycles and results so that neither of us are caught off guard regarding budgetary commitments.

We appreciate and value the relationship we have with the City and specifically with Mayor Dolan and you. It is important that we continue to advance our relationship for the benefit of the community we mutually serve.

We wish you well going into your next fiscal year.

Sincerely,


James A. Nania
Senior Vice President and Chief Financial Officer
Hallmark Health System

JAN:cad
Enclosure

cc: Michael Sack
President and Chief Executive Officer
Hallmark Health System