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

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Release Number: **201025077**
Release Date: 6/25/10
Date: March 29, 2010
XXXXXX
XXXXXX
XXXXXX
XXXXXX
UIL Code: 501.15-00

Contact Person:

Identification Number:

Contact Number:

Employer Identification Number:

Form Required To Be Filed:

Tax Years:

Dear

This is our final determination that you do not qualify for exemption from Federal income tax under Internal Revenue Code section 501(a) as an organization described in Code section 501(c)(15).

We made this determination for the following reason(s):

There is an insufficient number of insureds to provide for an adequate premium-pooling base. In addition, your risk is too heavily concentrated in one insured. As a result, your business lacks one of the principal elements of insurance, risk distribution. Thus, because you do not qualify as an insurance company, you do not meet the statutory requirement for exemption under section 501(c)(15) of the Code.

You must file Federal income tax returns on the form and for the years listed above within 30 days of this letter, unless you request an extension of time to file. File the returns in accordance with their instructions, and do not send them to this office. Failure to file the returns timely may result in a penalty.

We will make this letter and our proposed adverse determination letter available for public inspection under Code section 6110, after deleting certain identifying information. Please read the enclosed Notice 437, *Notice of Intention to Disclose,* and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in Notice 437. If you agree with our deletions, you do not need to take any further action.

If you have any questions about this letter, please contact the person whose name and telephone number are shown in the heading of this letter. If you have any questions about your Federal income tax status and responsibilities, please contact IRS Customer Service at

1-800-829-1040 or the IRS Customer Service number for businesses, 1-800-829-4933. The IRS Customer Service number for people with hearing impairments is 1-800-829-4059.

Sincerely,

Robert Choi
Director, Exempt Organizations
Rulings & Agreements

Enclosure
Notice 437
Redacted Proposed Adverse Determination Letter
Redacted Final Adverse Determination Letter

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

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

Date: November 19, 2009

Contact Person:

Identification Number:

Contact Number:

XXXXXX
XXXXXX
XXXXXX
XXXXXX

Employer Identification Number: XXXXXX

Uniform Issue List:
501.15-00

Legend:
A =
B =
C =

Dear

We have considered your application for recognition of exemption from Federal income tax under Internal Revenue Code section 501(a). Based on the information provided, we have

concluded that you do not qualify for exemption under section 501(c)(15) of the Internal Revenue Code. The basis for our conclusion is set forth below.

FACTS:

You were incorporated on Date 1, in F, a foreign country. You are in the business of providing certain commercial casualty and property insurance-type services. You also "reinsure" certain contracts as described below. Your main source of income is "premiums" from the above-described activities. In addition, you receive some investment proceeds.

You are a calendar year taxpayer. For your Year 1 tax year, you filed a Form 1120-PC, U.S. Property and Casualty Insurance Company Income Tax Return.

You are wholly owned by C and D. You have only one class of stock—50,000 of no par value shares. Out of these 50,000 shares, you issued 1,000 shares in equal amounts to C and D. C and D also serve as your only corporate officers and directors. C serves as your chairman of the board, corporate executive officer (CEO), president, treasurer, and assistant secretary. D serves as your vice president, secretary, and assistant treasurer. Neither C nor D holds financial interests in any other insurance companies. Moreover, neither C nor D has any agreement or relationship with any of the shareholders of the insurance companies that you conduct business.

You are a controlled foreign corporation as C and D are both U.S. citizens. You are not a member of a controlled group of corporations. Pursuant to section 953(d) of the Code, you are treated as a domestic U.S. corporation for federal income tax purposes.

You have employed E as your manager for an annual compensation of $a.

You operate primarily to provide casualty and property "insurance" coverage to A. A is a U.S. corporation. A is also wholly owned by C and D. C serves as A's president. D serves as A's vice president. You and A operate independently of one another. A provides G services on a contract basis to companies in the H business.

In Year 2, you wrote five direct-written "insurance" contracts to A titled: (1) Special Risk - Expense Reimbursement Insurance Policy; (2) Excess Employment Practices Liability Insurance Policy; (3) Special Risk – Regulatory Changes Insurance Policy; (4) Excess Directors & Officers Liability Insurance Policy; and (5) Special Risk – Tax Liability Insurance Policy. Each of the above-named policies is described in detail below.

The Special Risk – Expense Reimbursement Insurance Policy covers public relations expenses to mitigate adverse publicity to A under certain circumstances, including: actual or imminent incidents where A's potential liability amount is in excess of $b; product recalls; layoffs and labor disputes; government or regulatory litigation; bankruptcy or other major financial crisis; loss of intellectual property rights; unsolicited takeover bids; terrorism; or any other adverse incident expected to reduce A's annual gross revenue by at least 25%. The policy also covers all defense expenses for A's defenses related to actual or alleged civil liability.

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The Excess Employment Practices Liability Insurance Policy covers damages and defense expenses A becomes legally obligated to pay as a result of any claim made during the covered period for "wrongful acts." With respect to employees, "wrongful acts" include wrongful dismissal, termination, harassment and discrimination, invasion of privacy, retaliation and breach of employment contract. In addition, the policy covers claims of A's violation of an employee's civil rights and violations of the Family Medical and Leave Act. Acts and claims against non-employees are also covered. The policy also reimburses A for expenses related to the above-described acts for business interruptions, psychological counseling for employees, and other costs required in order to bring workplace productivity back to pre-wrongful act levels. The coverage applies in excess of any workers compensation benefits.

The Special Risk – Regulatory Changes Insurance Policy covers actual compliance expenses and business interruptions suffered as a result of any regulatory change having an adverse impact on A's normal on-going business operations. The policy does not cover adverse regulatory changes resulting from A's substantial noncompliance with regulations or guidelines or those changes initiated in direct response to A's negligent acts, omissions, or errors.

The Excess Directors & Officers Liability Insurance Policy provides indemnification subject to certain limitations to A for A's indemnification of its officers and directors for wrongful acts, including errors, omissions, neglect, misstatements, and breach of duty. The policy also covers similar acts in relation to mergers and acquisitions. Moreover, the policy includes liability for pollution. The policy also provides direct executive liability coverage for similar acts to A's officers and directors.

The Special Risk – Tax Liability Insurance Policy provides A with indemnification up to 115% of the amount of additional tax liability A may incur on its federal income tax return. No coverage is provided for additions to tax, civil penalties, or criminal penalties. Defense expenses and interest on any outstanding tax liability are also covered in the policy.

With respect to each of the above-referenced contracts, you and B entered into an agreement titled "Joint Underwriting Stop Loss Endorsement." B is not related to you, A, C, or D. You represent that B is a regulated insurer. It appears that under this agreement you are responsible for payment of claims up to certain specified thresholds. If the thresholds are met, then B becomes liable for payment of claims up to certain specified limits. If the specified limits for B's payment of claims are exceeded, then you again become liable. It also appears that for each of the above-referenced contracts, you receive 81.5% of the total premiums. B receives 18.5% of the total premiums. It is unclear whether A pays you and B directly or whether A pays you and you remit 18.5% to B.

During Year 2, you entered into two types of reinsurance arrangements. In the first arrangement, you assumed reinsurance contracts from B. The primary issuers on these contracts are unaffiliated insurance companies that underwrite credit-type policies (credit property, credit disability, and/or credit life) and policies for vehicle service contracts. For Year 2, you received $c in "premium" income from this arrangement.

You refer to the second arrangement as a "reinsurance risk pooling program." In this arrangement, you participate in a "reinsurance risk pool" with several other unrelated insurance

companies ("pool participants"). The risk pool is operated by B. Each pool participant has one or more affiliated operating entities for which it underwrites insurance coverage (generally casualty type coverage). B insures a portion of the direct insurance underwritten by the pool participants using a so-called "stop loss" endorsement. B currently participates in over 275 insurance policies with more than 120 insureds. B blends together its direct-written insurance and then reinsures the entire book on a quota-share basis with each of the pool participants. During Year 2, you received $d in "premiums" with respect to this second arrangement.

While unclear from the facts provided, it appears that B reinsures its risks associated with the five direct-written contracts to A via the reinsurance risk-pooling program described above and of which you are a member.

Your gross income totaled $e of which $f was from "premium" income, $g from investment income, and $x from consulting fees and other revenue sources.

Of your total premium income for Year 2, 69.4% is from A (assuming you receive 81.5% of the contract premiums as previously discussed), 14.8% is from the first reinsurance arrangement, and 15.8% is from the "reinsurance risk pooling program."

For Year 2, your assets totaled $y and total capital equaled $z.

LAW:

Section 501(a) of the Code provides that an organization described in subsection (c) or (d) or section 401(a) shall be exempt from taxation under this subtitle unless such exemption is denied under section 502 or 503.

Section 501(c)(15) of the Code provides Insurance companies (as defined in section 816(a) other than life (including inter-insurers and reciprocal underwriters) can apply for tax exempt status if:

I. The gross receipts for the taxable year do not exceed $600,000, and more than 50% of such gross receipts consist of premiums, or

II. In the case of a mutual insurance company, the gross receipts of which for the taxable year do not exceed $150,000, and more than 35% of such gross receipts consist of premiums.

Section 816(a) of the Code provides that the term 'insurance company' means any company more than half of the business of which during the taxable year is the issuing of insurance or annuity contracts or the reinsuring of risks underwritten by insurance companies.

Section 1.801-3 of the Income Tax Regulations provides that the term insurance company mean a company whose primary and predominant business activity during the taxable year is the issuing of insurance or annuity contracts or the reinsuring of risks underwritten by insurance companies. Thus, though its name, charter powers, and subjection to State insurance laws are

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significant in determining the business, which a company is authorized and intends to carry on, it is the character of the business actually done in the taxable year, which determines whether a company is taxable as an insurance company under the Code.
Pursuant to Helvering v. LeGierse, 312 U.S. 531 (1941), the United States Supreme Court in defining the term "insurance contract" held that in order for a contract to amount to an insurance contract, it must shift and distribute a risk of loss and that risk must be an "insurance" risk.

Pursuant to Epmeir v. United States, 199 F.2d 508, 509-10 (7th Cir. 1952), insurance is a contract whereby for adequate consideration, one party agrees to indemnify another against loss arising from certain specific contingencies or perils.

Pursuant to AMERCO, Inc. v. Commissioner, 979 F.2d 162, 164-65 (9th Cir. 1992), aff'g. 96 T.C. 18 (1991), "Risk-shifting" means one party shifts his risk of loss to another, and "risk-distributing" means that the party assuming the risk distributes his potential liability, in part, among others. An arrangement without the elements of risk-shifting and risk-distributing lacks the fundamentals inherent in a true contract of insurance.

Pursuant to Allied Fidelity Corp. v. Commissioner, 572 F.2d 1190, 1193 (7th Cir. 1978), the common definition for insurance is an agreement to protect the insured against a direct or indirect economic loss arising from a defined contingency whereby the insurer undertakes no present duty of performance but stands ready to assume the financial burden of any covered loss.

Pursuant to Commissioner v. Treganowan, 183 F.2d 288, 290-91 (2d Cir. 1950), the risk must contemplate the fortuitous occurrence of a stated contingency.

Pursuant to Beech Aircraft Corp. v. United States, 797 F.2d 920, 922 (10th Cir. 1986), historically and commonly insurance involves risk-shifting and risk-distributing. "Risk-shifting" means one party shifts his risk of loss to another, and "risk-distributing" means that the party assuming the risk distributes his potential liability, in part, among others. An arrangement without the elements of risk-shifting and risk-distributing lacks the fundamentals inherent in a true contract of insurance.

Pursuant to Ocean Drilling & Exploration Co. v. United States, 988 F.2d 1135, 1153 (Fed. Cir. 1993), for insurance purposes, "risk-shifting" means one party shifts his risk of loss to another, and "risk-distributing" means that the party assuming the risk distributes his potential liability, in part, among others.

Pursuant to Clougherty Packing Co. v. Commissioner, 811 F.2d 1297, 1300 (9th Cir. 1987), a true insurance agreement must remove the risk of loss from the insured party.

Pursuant to Humana, Inc. v. Commissioner, 881 F.2d 247, 257 (6th Cir. 1989), risk distribution involves shifting to a group of individuals the identified risk of the insured. The focus is broader and looks more to the insurer as to whether the risk insured against can be distributed over a larger group rather than the relationship between the insurer and any single insured.

Pursuant to Rev. Rul. 89-96, 1989-2 C.B. 114, an insurance agreement or contract must involve

the requisite risk shifting necessary for insurance.

Pursuant to Rev. Rul. 2002-89; 2002-2 C.B. 984, it is not insurance where a parent company formed a subsidiary insurance company and 90% of the subsidiary's earned premium was paid by the parent company. The Rev. Rul. further held that such arrangement between a parent and a subsidiary would constitute insurance if less than 50% of the premium earned by the subsidiary is from the parent company.

Pursuant to Rev. Rul. 60-275, 1960-2 C.B. 43, risk shifting not present where subscribers, all subject to the same flood risk, agreed to coverage under a reciprocal flood insurance exchange.

Pursuant to Rev. Rul. 2002-90, 2002-2 C.B. 985, a wholly owned subsidiary that insured 12 subsidiaries of its parent constitute insurance for federal income tax purposes

Pursuant to Rev. Rul. 2005-40, 2005-40 I.R.B. 4, an arrangement that purported to be an insurance contract but lacked the requisite risk distribution was characterized as a deposit arrangement, a loan, a contribution to capital, an indemnity arrangement that was not an insurance contract

Pursuant to Rev. Rul. 2007-47, 2007-30 I.R.B. 127, an arrangement that provides for the reimbursement of inevitable future costs does not involve the requisite insurance risk

ANALYSIS:

Neither the Code nor the regulations define the terms "insurance" or "insurance contract." The standard for evaluating whether an arrangement constitutes insurance is Helvering v. LeGierse, 312 U.S. 531 (1941), in which the Court stated that "historically and commonly insurance involves risk-shifting and risk-distributing in a transaction which involve[s] an actual 'insurance risk' at the time the transaction was executed." Insurance has been described as "involv[ing] a contract, whereby, for adequate consideration, one party agrees to indemnify another against loss arising from certain specified contingencies or perils. Epmeir v. United States, 199 F.2d 508, 509-10 (7th Cir. 1952). Insurance is contractual security against possible anticipated loss. Id. Cases analyzing "captive insurance" arrangements have distilled the concept of "insurance" for federal income tax purposes to three elements, applied consistently with principles of federal income taxation: (1) involvement of an insurance risk; (2) shifting and distribution of that risk; and (3) insurance in its commonly accepted sense. See e.g., AMERCO, Inc. v. Commissioner, 979 F.2d 162, 164-65 (9th Cir. 1992), aff'g. 96 T.C. 18 (1991).

The risk transferred must be risk of economic loss. Allied Fidelity Corp. v. Commissioner, 572 F.2d 1190, 1193 (7th Cir. 1978). The risk must contemplate the fortuitous occurrence of a stated contingency, Commissioner v. Treganowan, 183 F.2d 288, 290-91 (2d Cir. 1950), and must not be merely an investment or business risk. LeGierse, 312 U.S. at 542; Rev. Rul. 89-96.

Risk shifting occurs if a person facing the possibility of an economic loss transfers some or all of the financial consequences of the potential loss to the insurer, such that a loss by the insured does not affect the insured because the loss is offset by a payment from the insurer. See Rev.

Rul. 60-275 (risk shifting not present where subscribers, all subject to the same flood risk, agreed to coverage under a reciprocal flood insurance exchange).

Risk distribution incorporates the statistical phenomenon known as the law of large numbers. The concept of risk distribution "emphasizes the pooling aspect of insurance: that it is the nature of an insurance contract to be part of a larger collection of coverages, combined to distribute risks between insureds." AMERCO and Subsidiaries v. Commissioner, 96 T.C. 18, 41 (1991), aff'd, 979 F.2d 162 (9th Cir. 1992). In Treganowan, 183 F.2d at 291, the court quoting Note, The New York Stock Exchange Gratuity Fund: Insurance That Isn't Insurance, 59 Yale L.J. 780, 784 (1950), explained that "[b]y diffusing the risks through a mass of separate risk shifting contracts, the insurer casts his lot with the law of averages. The process of risk distribution, therefore, is the very essence of insurance." See also Beech Aircraft Corp. v. United States, 797 F.2d 920, 922 (10th Cir. 1986), (risk distribution "means that the party assuming the risk distributes his potential liability, in part, among others"); Ocean Drilling & Exploration Co. v. United States, 988 F.2d 1135, 1153 (Fed. Cir. 1993) ("[r]isk distribution involves spreading the risk of loss among policyholders").

Distributing risk allows the insurer to reduce the possibility that a single costly claim will exceed the amount taken in as premiums and set aside for the payment of such a claim. By assuming numerous relatively small, independent risks that occur over time, the insurer smoothes out losses to match more closely its receipt of premiums. Clougherty Packing Co. v. Commissioner, 811 F.2d 1297, 1300 (9th Cir. 1987). Risk distribution necessarily entails a pooling of premiums, so that a potential insured is not in significant part paying for its own risks. See Humana, Inc. v. Commissioner, 881 F.2d 247, 257 (6th Cir. 1989).

In Situation 1 of Rev. Rul. 2002-89, S a wholly owned subsidiary of P, a domestic parent corporation, entered into an annual arrangement with P whereby S provided coverage for P's professional liability risks. The liability coverage S provided to P accounted for 90% of the total risks borne by S. Under the facts of Situation 1, the Service concluded that insurance did not exist for federal income tax purposes. On the other hand, in Situation 2 of Rev. Rul. 2002-89, the premiums that S received from the arrangement with P constituted less than 50% of S's total premiums for the year. Under the facts of Situation 2, the Service reasoned that the premiums and risks of P were pooled with those of unrelated insureds and thus the requisite risk shifting and risk distribution were present. Accordingly, under Situation 2, the arrangement between P and S constituted insurance for federal income tax purposes.

In Rev. Rul. 2002-90, S a wholly owned insurance subsidiary of P, directly insured the professional liability risks of 12 operating subsidiaries of its parent. S was adequately capitalized and there were no related guarantees of any kind in favor of S. Most importantly, S and the insured operating subsidiaries conducted themselves in a manner consistent with the standards applicable to an insurance arrangement between unrelated parties. Together, the 12 operating subsidiaries had a significant volume of independent, homogeneous risks. Under the facts presented, the ruling concludes the arrangement between S and each of the 12 operating subsidiaries of S's parent constitute insurance for federal income tax purposes.

Situation 1 of Rev. Rul. 2005-40, describes a scenario where a domestic corporation operated a large fleet of automotive vehicles in its courier transport business covering a large portion of the

United States. This represented a significant volume of independent, homogeneous risks. For valid non-tax business purposes, the transport company entered into an insurance arrangement with an unrelated domestic corporation, whereby in exchange for an agreed amount of "premiums," the domestic carrier "insured" the transport company against the risk of loss arising out of the operation of its fleet in the conduct of its courier business. The unrelated carrier received arm's length premiums, was adequately capitalized, received no guarantees from the courier transport company and was not involved in any loans of funds back to the transport company. The transport company was the carrier's only "insured." While the requisite risk-shifting was seemingly present, the risks assumed by the carrier were not distributed among other insured's or policyholders. Therefore, the arrangement between the carrier and the transport company did not constitute insurance for federal income tax purposes.

The facts in Situation 2 of Rev. Rul. 2005-40 mirror the facts of Situation 1 except that in addition to its arrangement with the transport company, the carrier entered into a second arrangement with another unrelated domestic company. In the second arrangement, the carrier agreed that in exchange for "premiums," it would "insure" the second company against its risk of loss associated with the operation of its own transport fleet. The amount that the carrier received from the second agreement constituted 10% of the total amounts it received during the tax year on a gross and net basis. Thus, 90% of the carrier's business remained with one insured. The revenue ruling concluded that the first arrangement still lacked the requisite risk distribution to constitute insurance even though the scenario involved multiple insureds.

In Situation 4 of Rev. Rul. 2005-40, 12 LLCs elected classification as associations, each contributing between 5 and 15% of the insurer's total risks. The Service concluded that this transaction constituted insurance for federal income tax purposes.

The principal concern with regard to your activities is whether there is sufficient risk distribution. As discussed above, the idea of risk distribution involves some mathematical concepts. For example, risk distribution is said to incorporate the statistical phenomenon known as the "law of large numbers" whereby distributing risks allows the insurer to reduce the possibility that a single costly claim will exceed the amount taken in as premiums. The concept hinges on the assumption of "numerous relatively small" and "independent risks" that "occur randomly over time." Clougherty Packing Co., 811 F.2d 1297 at 1300.

As discussed, the Service in Rev. Rul. 2002-90, concluded that insurance existed where 12 insureds each contributed between five and 15% to the insured's total risks. Similarly, in Situation 4 of Rev. Rul. 2005-40, the Service concluded that insurance existed where 12 LLCs, electing classification as associations, each contributed between five and 15% of the insurer's total risks. Moreover, in Situation 2 of Rev. Rul. 2002-89, supra, the Service concluded that insurance existed where a wholly owned subsidiary insured its parent, but the arrangement represented less than 50% of the insurer's total risk for the year.

Your application and the facts therein are analogous to the analysis under Situation 1 of Rev. Rul. 2002-89, supra, and Situation 2 of Rev. Rul. 2005-40, supra. In Situation 1 of Rev. Rul. 2002-89, supra, the liability coverage provided to the parent corporation by its wholly owned subsidiary accounted for 90% of the total risks borne by the subsidiary. Similarly, in Situation 2 of Rev. Rul. 2005-40, supra, a second insurer contributing 10% of the insured's risks was added

to the single-insured scenario of Situation 1. The Service concluded in both of the above scenarios that insurance did not exist because there lacked a sufficient number of insureds to provide for an adequate premium pooling base.

With respect to your case, we make no determinations as to whether all of the agreements between you and A qualify as insurable risks. See Rev. Rul. 2007-47, in part, holding that an arrangement that provides for the reimbursement of believed-to-be inevitable future cost does not involve the requisite insurance risk for purposes of determining whether the assuming entity may account for the arrangement as an "insurance contract" for purposes of Subchapter L of the Internal Revenue Code. Furthermore, it appears that the various risks insured are not homogeneous and thus must be separated from one another and analyzed separately as to whether there is risk distribution as to that risk. See Rev. Rul. 2002-89, supra; see also Rev. Rul. 2005-40.

Assuming that all of the agreements do constitute insurable risks or that a significant majority of the contracts qualify as insurable risks, over 50% of your total risks for the year are with A. Likewise to Situation 1 of Rev. Rul. 2002-89, supra, and Situation 2 of Rev. Rul. 2005-40, supra, there exists an inadequate premium pooling base for insurance to exist. The addition of the two other insurance arrangements does not change the conclusion that the agreement with A lacks risk distribution. Therefore, you do not qualify as an insurance company.

In your response to our request for additional information, you rely on Harper Group & Subsidiaries v. Commissioner, 96 T.C. 45 (1991) to support your argument that you qualify as an insurance company. You argue that in Harper Group, the court held that where a single-insured paid 71% of the total premium, risk distribution was sufficient to qualify the arrangement as insurance. You argue here that less than 70% of your risk is from A and thus, the arrangement should qualify as insurance under Harper Group. You misunderstand the holding in Harper Group. In Harper Group, the 71% of the total premium received by the insurer was not related to a single corporate policyholder. Rather, the 71% was the total percentage from all related policyholders, including brother-sister corporations. Moreover, the risks in Harper Group were diverse and widespread—an extensive variety of cargo shipments throughout the world via a variety of means and vessels. Thus, Harper Group supports our conclusion as discussed above.

CONCLUSION:

Because you do not qualify as an insurance company for federal tax purposes, you fail to meet the requirements of section 501(c)(15) of the Code. Thus, you do not qualify for recognition of exemption under section 501(a) of the Code as an organization described in section 501(c)(15) as a result, you must file federal income tax returns.

You have the right to file a protest if you believe this determination is incorrect. To protest, you must submit a statement of your views and fully explain your reasoning. You must submit the statement, signed by one of your officers, within 30 days from the date of this letter. We will consider your statement and decide if the information affects our determination.

Your protest statement should be accompanied by the following declaration:

> *Under penalties of perjury, I declare that I have examined this protest statement, including accompanying documents, and, to the best of my knowledge and belief, the statement contains all the relevant facts, and such facts are true, correct, and complete.*

You also have a right to request a conference to discuss your protest. This request should be made when you file your protest statement. An attorney, certified public accountant, or an individual enrolled to practice before the Internal Revenue Service may represent you. If you want representation during the conference procedures, you must file a proper power of attorney, Form 2848, *Power of Attorney and Declaration of Representative,* if you have not already done so. For more information about representation, see Publication 947, *Practice before the IRS and Power of Attorney.* All forms and publications mentioned in this letter can be found at www.irs.gov, Forms and Publications.

If you do not intend to protest this determination, you do not need to take any further action. If we do not hear from you within 30 days, we will issue a final adverse determination letter. That letter will provide information about filing tax returns and other matters.

Please send your protest statement and any supporting documents to this address:

Internal Revenue Service
1111 Constitution Ave, N.W.
Washington, DC 20224

You may also fax your statement using the fax number shown in the heading of this letter. If you fax your statement, please call the person identified in the heading of this letter to confirm that he or she received your fax.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Robert Choi
Director, Exempt Organizations
Rulings & Agreements