



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

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Number: **200847017**
Release Date: 11/21/2008

September 4, 2008

UIL: 501.10-00

Contact Person:

Identification Number:

Contact Number:

Employer Identification Number:

Form Required To Be Filed:

Tax Years:

SE:T:EO:RA:T:3

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)(10).

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

You are not operated for fraternal purposes; You are not operated under the lodge system; and You do not devote your net earnings to exclusively charitable or fraternal purposes.

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



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

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Date: July 23, 2008

UIL 501.10-00

Contact Person:

Identification Number:

Contact Number:

FAX Number:

Employer Identification Number:

Legend:

Fraternal =

Parent =

Cafe =

Lounge =

A =

B =

C =

D =

E =

S =

Chartering fee =

LLC #1 =

LLC #2 =

LLC #3 =

LLC #4 =

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 Code section 501(c)(10). The basis for our conclusion is set forth below.

FACTS:

You were incorporated in 2004, under the laws of the state in which you are located. Shortly after you were incorporated, you filed a "Certificate of Registration of Trade Name" authorizing you to transact business under the assumed name of Café.

Your Certificate of Incorporation (charter) states that you are organized and will be operated exclusively for charitable and fraternal purposes within the meaning of section 501(c)(10) of the Internal Revenue Code. You claim to be affiliated with Fraternal, and Article VII of your charter

states that you are a subordinate under Parent.

In section 1.2 of your bylaws and in Part II of your application, you state that you are operated for the following objectives:

1. To promote the social and moral welfare of its members;
2. To encourage human and spiritual values of life;
3. To cooperate in all charitable and civic appeals;
4. To provide a practical means to form meaningful friendships, altruistic services, and to build better communities;
5. To promote true patriotism to our Country and to be a loyal member of Fraternal;
6. To cooperate in creating and maintaining sound public opinion and high standards which make possible the promotion of goodwill and community concern for others; and
7. To promote education for its members, their family and for the community.

In response to an IRS letter asking for a further description of how you planned to achieve your corporate objectives, you responded that you are organized to promote the social welfare of your members and to enhance their happiness, to encourage human and spiritual values and to instill the principles of charity, justice and patriotism among your members. In a later response, you offered the following examples of how you will complete each of your bylaw objectives:

1. To promote the social and moral welfare of its members;
 - a. We have all you can eat crab feeds and intend to have member picnics.
2. To encourage human and spiritual values of life;
 - a. We anticipate holding events to raise funds, food and clothing for donation to the needs of others. Group activities that encourage giving to others will instill in ourselves and others the rewards of good moral ethics and ideals.
3. To cooperate in all charitable and civic appeals;
 - a. We encourage the principles of charity, justice and patriotism among members. We have and do plan to participate in future outings, such as the ... High School, Golf Outing Fundraiser, which raised funds for the school athletic department. [In addition, you stated your intent to make available a \$2000 scholarship annual fund.]
4. To provide a practical means to form meaningful friendships, altruistic services, and to build better communities;
 - a. All events and functions, such as involvement in the golf fundraiser, scholarship program, club crab feed, Easter egg hunt, member 4th of July picnic, member meetings and daily lodge activities, serve as practical means to build meaningful friendships and promote philanthropic endeavors in efforts to build better communities.
5. To promote true patriotism to our Country and to be a loyal member of Fraternal;
 - a. The "Pledge of Allegiance" will be said at all monthly meetings. A 4th of July picnic will be held.
6. To cooperate in creating and maintaining sound public opinion and high standards which make possible the promotion of goodwill and community concern for others;

- a. Community involvement through the programs outlined above will culminate in the creation and maintenance of sound public opinion and making possible the promotion of goodwill and community concern for others.
7. To promote education for its members, their family and for the community.
 - a. The Scholarship fund will be established to assist those in need of educational assistance.

Your narrative description also states that you will meet monthly for socializing among members and include food, beverages and entertainment. In later submissions, you described the operation of Café as your primary activity. It operates as a private "member's only" tavern with drinking and gambling. Your application indicates you hold liquor, gaming and video lottery licenses for the purpose of operating the private club and have a full-service restaurant. Your "members only" designated hours are Monday through Saturday, 7 a.m. to 3 a.m. and Sunday 1 p.m. to 3 a.m. There are no non-member hours, but you state that non-members are admitted as guests if accompanied by a member. In a later letter, you state that you do not have a policy in place that requires all guests to sign the guest log book, although you notified your officers and employees not to allow non-members to be admitted unless accompanied by a member.

During the application process, you were unable to provide a breakdown of the amounts raised or spent on any activities other than operation of Café. Nor were you able to estimate the volunteer hours attributable to any other activity because these activities were "projections." You indicated that the specific amounts would be calculated and voted on for approval. You provided a description of your scholarship selection procedures, but no information as to when the program would be implemented. From your description, it appears that you contemplate one scholarship per year. To date, you have awarded no scholarships.

Since your inception, you have had only one formal membership meeting. That initial meeting was held shortly after your incorporation for the purpose of electing officers and adopting the bylaws. No further business was conducted at that time. You submitted an additional statement that aside from the initial Board of Directors meeting, no formal board meetings have been held. You stated that officers have held informal meetings in which to facilitate the commencement of operations, and that the officers have acted in good faith as agents of the organization in obtaining contracts for services to be approved by the board.

Pursuant to Article II of your bylaws, members must be at least 21 years of age and of good moral character. Applications must be submitted in writing, accompanied by a signed recommendation from a current member in good standing and payment of the initiation fee. Applications are subject to review and a vote. Upon admission, membership can be maintained by the payment of dues in accordance with the membership dues schedule, as adopted by the Board of Directors. You submitted no information showing that you follow this procedure. You appear to count everyone who pays \$5 per quarter as members. You submitted no information regarding the amount of an initiation fee or whether such fees have ever been assessed or paid. No evidence has been submitted regarding any initiation activities or additional responsibilities for membership other than the payment of dues, or that any member meetings have ever been held.

Your charter lists your incorporator as A. Your initial board of directors included A, B and C. At

the time this application was filed, A served as your president, director and treasurer, D served as your vice president, and C served as your secretary. B was later replaced by D. C was later replaced by E.

You submitted additional information stating that prior to your incorporation, S owned the building in which you are located and planned to operate a commercial restaurant and bar known as Lounge. S is the son of A, your president, and was the fiancé of C. S had obtained a business license, liquor license and video lottery license for Lounge. You state that Lounge never opened and that all such licenses were forfeited.

Prior to your incorporation and during the time S owned the facility, S learned of the possibility of affiliating with Fraternal through Parent. Parent sent letters to holders of video lottery license holders in your state soliciting membership and inviting inquiries regarding affiliation. In the letter, Parent states that it is experiencing a decline in membership and is accepting applications nationally for "new charters." The letter states that Parent "will be able to assist all new Charters with their filing of Liquor licenses, gaming licenses, and lottery license (sic), if available in your state. Our expertise in these areas of licensing will assure successful new charters. ... Additionally, we will include all new charters in its (sic) group tax exempt status. This will allow new ... to immediately become tax exempt without having to apply individually."

Shortly after your incorporation, you entered into an affiliation agreement with Parent and paid a chartering fee. Further, you agreed to pay Parent additional fees for each new member and a percentage of all gambling revenue. S personally funded the payment of the chartering fee on your behalf through LLC #3, a limited liability corporation (LLC) in which he is the sole member. You carry this amount on your books as a loan.

The affiliation agreement assigns you a lodge number and restates the language of your charter. You also submitted letters from Parent to the licensing boards for liquor, gaming and lottery licenses stating that you are a subordinate member in good standing and current in your payment of dues. The letters further state "All subordinate (units) are required by 'Parent' to accept and sign the ... Agreement of Affiliation ... upon granting their Charter certified by 'Parent'." You also submitted a copy of a mileage agreement with Parent granting you the exclusive right to be an affiliated lodge within five miles of your designated meeting place.

Apart from the fees that you paid or were paid on your behalf to Parent, you have submitted no evidence that you are complying with the rules of Parent or that Parent is providing any oversight of you as its subordinate.

You also indicated that S continues to own the building in which Café is located through LLC #1, another single member LLC in which he is the sole member. The lease is a triple net lease obligating you to pay the monthly rent plus utilities, real estate taxes, and personal property taxes; all costs for alterations, repairs and maintenance; and all costs for insurance. You stated that this lease was an arm's length transaction. When asked to submit a fair market rental value appraisal or alternative comparative rental value for this property, you submitted appraisals for two dissimilar businesses. The rental rate for both businesses is less than half of what you are paying LLC #1.

Additional information you submitted indicates that S owns a catering business through LLC #2, another LLC in which he is the sole member. You sublease the commercial kitchen in the Café facility to LLC #2. The sublease requires LLC #2 to pay you rent and a portion of the real estate taxes, personal property taxes, alterations, improvements, repairs or maintenance as well as insurance for personal property. There is no requirement that LLC #2 pay for utilities incurred in the use of a commercial kitchen. All of the assets listed as subject to this lease and on which you appear to be paying personal property taxes are owned by LLC #2.

You also provided a copy of the video lottery retail agreement (Agreement) that you entered into with LLC #3. This Agreement provides that LLC #3 is the exclusive provider and operator of video machines in your facility. You are required to provide, at your expense, adequate personnel to safeguard and protect the terminals and equipment, including electrical outlets and power sources. LLC #3, as the Operator, has exclusive control over the cash compartments and all internal circuitry of the terminals, subject to the Lottery Commission. You maintain insurance or pay LLC #3 to maintain insurance; and the net terminal income from the lottery gaming machines is allocated 40 percent to you and 60 percent to LLC #3.

Lastly, you submitted a service agreement you entered with LLC #4. S is the sole member of LLC #4. This agreement provides that LLC #4 will perform maintenance services, including building maintenance, snow removal and lawn care at Café.

You stated in your application that you share an employee who performs bookkeeping functions with other local subordinates of Parent and may have overlapping officers/ directors. In response to a request for additional information, you indicated that S has similar agreements through his wholly owned LLCs with at least seven other subordinate lodges of Parent that were chartered around the same time as you. A is on the board of directors of each subordinate.

LAW:

Section 501(c)(8) of the Internal Revenue Code (the Code) provides for the exemption of fraternal beneficiary societies, orders, or associations operating under the lodge system or for the exclusive benefit of the members of a fraternity itself operating under the lodge system, and providing for the payment of life, sick, accident, or other benefits to the members of such society, order, or association or their dependents.

Section 501(c)(10) of the Code provides for the exemption from federal income tax of domestic fraternal societies, orders, or associations operating under the lodge system, the net earnings of which are devoted exclusively to religious, charitable, scientific, literary, educational and fraternal purposes, and which do not provide for the payment of life, sick, accident, or other benefits.

Section 1.501(c)(10)-1 of the Income Tax Regulations (the regulations) provides that an organization will qualify for exemption under section 501(c)(10) of the Code if it is a domestic fraternal beneficiary society, order, or association, described in section 501(c)(8) and the regulations thereunder, except that it does not provide for the payment of life, sick, accident, or other benefits to its members, and devotes its net earnings exclusively to religious, charitable, scientific, literary, educational, and fraternal purposes.

The leading judicial pronouncement as to what constitutes a "fraternal beneficiary society" is contained in the following extract from National Union v. Marlow, 374 F. 775, 778 (1896):

".... a fraternal-beneficial society ... would be one whose members have adopted the same, or a very similar calling, avocation, or profession or who are working in union to accomplish some worthy object, and who for that reason have banded themselves together as an association or society to aid and assist one another, and to promote the common cause. The term "fraternal" can properly be applied to such an association, for the reason that the pursuit of a common object, calling or profession usually has a tendency to create a brotherly feeling among those who are thus engaged.... Many of these associations make a practice of assisting their sick and disabled members and of extending substantial aid to the families of deceased members. Their work is at the same time of a beneficial and fraternal character, because they aim to improve the condition of a class of persons who are engaged in a common pursuit and to unite them by a stronger bond of sympathy and interest...."

The National Union did not fit this definition, because it was an association of individuals who were associated for the purpose of obtaining insurance. The court concluded that:

In its practical operations, therefore, the defendant company cultivates fraternity and confers benefits in the same manner that every insurance company doing business on the mutual plan cultivates feelings of fraternity, and confers benefits upon its members. Or, in other words, when the defendant is stripped of all disguises, and judged by the standard of what it is engaged in doing, and what it was most likely organized to do, it is simply an insurance company which carries on an extensive business on the assessment plan.

Central to the concept of fraternal beneficiary societies, whether described in section 501(c)(8) or 501(c)(10) of the Code is the requirement of a fraternal element, a common bond among members. The requirement of a fraternal element is set forth in Philadelphia and Reading Relief Association, 4 B.T.A. 713 (1926).

In that case, an organization composed of railroad employees organized to administer a relief fund for the payment of benefits to its members in case of sickness, accident or death, fell short of this requirement because it lacked the required fraternalistic element. The court noted that the association's membership consisted of individuals whose vocations were as numerous and diverse as the classifications of jobs of a railroad company; that the only motive for the existence of the association was a mercenary one (to provide insurance benefits); that the organization did not have "rituals, ceremonial, and regalia" commonly associated with fraternal associations; and that it was not operated on the lodge system.

In another case, the U.S. Tax Court held that an organization cannot be classified as fraternal when the only common bond between the majority of its members is their membership in that organization. Polish Army Veterans Post 147, 24 T.C. 891 (1955), affirmed as to nonexempt

status, 236 F.2d 509 (1956). Only 10 percent of the members had common ties in that they were Polish war veterans or children of such veterans who had served in the armed forces of the Western Alliance. All other dues-paying members were admitted indiscriminately as long as they were elected to membership by a majority vote of members present at any meeting.

The question as to the meaning of "fraternal" was also explored in Wheeler v. Ben Hur Life Ass'n, 264 S.W.2d 289 (1953). The court concluded that the organization was not fraternal.

. . . The association's constitution and by-laws duly provide for a lodge system, ritualistic form of work, and representative form of government. It has no capital stock and is ostensibly organized solely for the mutual benefit of its members. But actually, while giving superficial attention to these requirements, the Association has been engaged in the life insurance business. The local agent of the Association draws a salary and receives as a commission 50% of the first premium on all insurance policies. He receives a smaller percentage of subsequent premiums . . . The Association's constitution and by-laws provisions relative to ritualistic work are observed only perfunctorily . . . We are convinced from the evidence in this record that the primary function of the Ben Hur Life Association is to sell insurance, and that the Association actually is an insurance company operating under the guise of a fraternal benefit society.

To qualify for recognition of exemption as a fraternal beneficiary organization under section 501(c)(8) or section 501(c)(10) of the Code, an organization must also be operated under the lodge system. Section 1.501(c)(8)-1 of the regulations states that operating under the lodge system means "carrying on its activities under a form of organization that comprises local branches, chartered by a parent organization and largely self-governing, called lodges, chapters, or the like." At a minimum, this requires separate subordinate lodges that operate under the general control and supervision of a parent lodge, and are subject to the laws and edicts of the parent lodge.

In Western Funeral Benefit Association v. Hellmich, 2 F.2d 367, 369 (1924), the District Court for the Eastern District of Missouri defined "lodge system" as follows:

By the "lodge system" is generally understood an organization which holds regular meetings at a designated place, adopts a representative form of government, and performs its work according to a ritual. That does not seem to be a harsh definition of what is usually understood as the lodge system and is not so strict in its requirements as the definitions often stated in the statute books.

Rev. Rul. 73-165, 1973-1 C.B. 224 concerns an organization that was operated under the lodge system, was engaged in conducting fraternal activities, but whose predominant activity was the provision of benefits to its members. The ruling concludes that the organization was described in section 501(c)(8) because there is no requirement that either the fraternal or the insurance features predominate so long as both are present. The ruling is clear, however, that in order for an organization to be described in section 501(c)(8) it must contain substantial fraternal features and conduct substantial fraternal activities. The courts have described fraternal activities as a grouping together of like-minded individuals to accomplish a common purpose. The group must

be bound by more than membership in the organization and motivated by purposes other than solely the provision of insurance benefits.

Rev. Rul. 77-258, 1977-2 C.B. 195, provides that a domestic fraternal society operating under the lodge system, which does not provide life, sick, accident, or other benefits, whose members are interested in the use of and philosophy behind a method of attempting to divine the future, and whose net income is used to provide instruction on the use of the method, maintain a reference library, and supply information on the method to the public, qualifies for exemption under section 501(c)(10) of the Code.

RATIONALE:

The information you provided fails to establish that you are a domestic fraternal society, order, or association that qualifies for exemption from federal income tax under section 501(c)(10) of the Code. You are not operated for fraternal purposes; you are not operated under the lodge system; and you do not devote your net earnings to exclusively charitable or fraternal purposes.

Fraternal Purposes:

Although there is no definition of fraternal purpose in the Internal Revenue Code, we presume that Congress used the term in the ordinary sense, and according to its legal significance in 1909 when section 501(c)(8) was added. The courts in the cases cited above, were clear in requiring at a minimum that the members of a fraternal organization have a common tie that is more substantial than the desire to purchase insurance or engage in social activities. "....a fraternal-beneficiary society... would be one whose members have adopted the same, or a very similar calling, avocation, or profession or who are working in union to accomplish some worthy object, and who for that reason have banded themselves together as an association or society to aid and assist one another, and to promote the common cause." National Union v. Marlow, supra. "An organization cannot be classed as fraternal where the only common bond between the majority of the members is their membership in that organization." Polish Army Veterans Post 147. Evidence of fraternal activities, such as "rituals, ceremonial, and regalia," helps to establish that an organization has a fraternal purpose. Philadelphia and Reading Relief Association, supra. Rev. Rul. 73-165 echoes Congress and the courts in holding that to establish exemption, a fraternal organization must have substantial fraternal features and conduct substantial fraternal activities. Lastly, we look to substance over form. The fact that an organization's constitution and bylaws may provide for a "lodge system, a ritualistic form of work, and representative form of government" is not enough if actual operations establish a primary function that is not fraternal. Wheeler v. Ben Hur Life Association, supra.

You do not have substantial fraternal features. Your membership is open to anyone over 21 willing to pay a nominal membership fee, similar to a cover charge. Your bylaws do not require and you submitted no evidence to establish that your members have a specific "calling, avocation or profession" or a "common tie." Unlike the organization described in Rev. Rul. 77-258, whose members had a single pursuit, your activities do not illustrate how your members have joined together or worked in unison to accomplish any worthy objective. The only common bond among your members appears to be their membership.

Further, you submitted no evidence to show that you follow your own bylaws regarding limiting the use of Café by non-members. You stated that you have an open guest policy and do not keep a guest log or other records. You have not established that your members pay for the entertainment of their guests. Without further documentation, we are unable to conclude that you are not open to the general public in the same manner as a commercial tavern.

Nor have you submitted evidence that your listed members have actually participated in substantial fraternal activities. Your operation of a public tavern and conduct of gaming is not inherently a fraternal or a charitable activity. Your charter and bylaws do not provide for rituals, ceremonials or regalia commonly associated with fraternal associations. You have had no member meetings other than your initial organizational meeting. Nor have you engaged in any member activities in furtherance of your stated objectives. Accordingly, you are not operated for fraternal purposes.

Lodge System:

An organization is "operating under the lodge system" if it operates under the general control and supervision of a parent lodge, and is subject to the laws and edicts of the parent lodge. It is generally understood that such an organization holds regular meetings at a designated place, adopts a representative form of government, and performs its work according to a ritual. The courts look to substance over form. Wheeler v. Ben Hur Life Association, supra. A similar result was reached in Western Funeral Benefit Association v. Hellmich, supra.

We cannot conclude, on the basis of this record, that you are properly chartered and under the general control and supervision of a parent lodge. You submitted a signed affiliation agreement with Parent assigning you a lodge number. Although your stated purposes are identical to that of Parent, you submitted no information regarding Parent's activities or its rules regarding your participation. The agreement is devoid of any operational or oversight requirements regarding your activities.

The information you submitted with the affiliation agreement, including copies of letters from Parent to you and to the licensing authorities to assist you in obtaining licenses for liquor, gaming and video lottery, is not silent on your financial arrangement with Parent. You are required to pay Parent a substantial chartering fee and a percentage of all gaming revenue to use Parent's name. The only oversight Parent exercises is to audit your financial statements to be sure it is paid the proper amounts. This is similar to the purchase and operation of a commercial franchise.

We also cannot conclude that Parent exercises supervision and control over other independent lodges. The information you submitted shows that S formed and operates at least seven lodges in your area in the same manner as you. In addition, you state that other lodges associated with Parent are operated in an identical manner. This does not satisfy the requirement that a parent control and supervise separate, independent, subordinate lodges that are operating under the lodge system.

Further, you have had only one membership meeting in the four years that you have been operating. This was the meeting at which you elected your initial officers. Since then, there

have been no member meetings and no elections have been held. Since you are totally controlled by your founders and do not follow your bylaws as to member input, we cannot conclude that you have a representative form of government.

In addition, since you have held no member meetings and nor commenced fraternal activities, we cannot conclude that you perform your work according to a ritual. Accordingly, you are not operated under the lodge system.

Devotion of Net Earnings to Exclusively Charitable or Fraternal Purposes:

The information you submitted shows that S paid your chartering fee and all additional expenses associated with your formation. In return, you have contracted with S, through his wholly owned companies, LLC #1, LLC#2, LLC#3 and LLC#4, to rent and operate Café as a turnkey operation. The establishment and operation of Café is your only activity and you stated that all of your earnings have been used for this purpose. We conclude, therefore, that your net earnings are used predominately to engage in business undertakings. In addition, we are unable to conclude from the information submitted that your net earnings do not inure to S in the form of inflated payments for services rendered through his companies. Since your net earnings are used predominately to engage in business undertakings that enhance the financial well being of S, we cannot conclude that your net earnings are used exclusively for religious, charitable, scientific, literary, educational and fraternal purposes as required by section 501(c)(10) of the Code.

You state that you plan to initiate your scholarship program as soon as you have sufficient funds. Since you have no other planned charitable activities and your contracts with S and his related companies don't contemplate that payments will be made to you for this purpose, we cannot conclude that any of your net earnings have or will be devoted to charitable purposes.

In addition, you state that providing social and recreational activities for your members is a fraternal purpose. A fraternal organization may provide social and recreational activities to its members but this activity alone is insufficient to establish exemption. Where, as in your case, gaming is predominantly a public activity, it would be considered unrelated to the exempt purposes of a fraternal organization. Since we have determined that you are not operated for fraternal purposes or under the lodge system, we conclude further that none of your net earnings are devoted to fraternal purposes.

CONCLUSION:

You are not described in section 501(c)(10) of the Code because:

- You are not operated for fraternal purposes:
- You are not operated under the lodge system:
- You do not devote your net earnings to exclusively charitable or fraternal purposes.

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, Form 2848 and any supporting documents to this address:

Internal Revenue Service
TE/GE (SE:T:EO:RA:T:3)

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