Dear JOHN P TROWBRIDGE:

I have enclosed an examination report and two copies of an agreement form showing proposed changes to your tax for the periods above. Review the report, and tell us whether you agree or disagree with the changes by the response due date above. If you have an interest in any partnerships, S corporations, trusts, etc., this report may not reflect examinations of those entities. Changes to those accounts could also affect your tax.

If you agree with the proposed changes in the report

1. Sign and date one copy of the agreement form and keep the other copy for your records. If you filed a joint return, both spouses must sign for the case to be fully agreed.

2. Include payment for the full amount you owe (if the report shows you owe additional tax) to limit penalty and interest charges to your account. Make your check or money order payable to the United States Treasury.

3. Return the signed and dated agreement form with your payment in the enclosed envelope by the response due date.

If you agree, but can't pay the full amount you owe

Pay as much as you can, and sign, date, and return one copy of the agreement form, as explained above. We explain payment options in the enclosed Publication 3498, The Examination Process. You can also find more information regarding payment options by visiting Tax Topic 202 at www.irs.gov/taxtopics/tc202.html and www.irs.gov/payments.

If you don't enclose full payment for the additional tax, interest, and penalties, we'll bill you for the unpaid amounts. If you are a C Corporation, the law requires us to charge an interest rate 2% higher than the standard rate on underpayments of $100,000 or more (Section 6621(c) of the Internal Revenue Code).
If you don't agree with the proposed changes in the report
You can contact the person above to request a meeting or telephone conference with me. If you still don't agree after the meeting or telephone conference, you can request a conference with the Office of Appeals. If the total proposed change to your tax and penalties is:

- $25,000 or less for each referenced tax period, send us a letter requesting an Appeals conference, and explain the changes you don't agree with and the reasons why you don't agree. Instead of sending a letter, you can complete Form 12203, Request for Appeals Review (enclosed). A fillable version of this form is available at www.irs.gov/forms-pubs.
- More than $25,000 for any referenced tax period, you must follow the instructions in the enclosed Publication 3498 to submit a formal protest.

If you request an Appeals conference
An Appeals officer will contact you. Appeals conferences are held in an informal manner. Appeals is an independent office and resolves most disputes informally and promptly. A conference with our Appeals office may:

- Help you avoid court costs, such as Tax Court filing fees
- Resolve the matter sooner
- Limit or prevent interest and penalties from increasing on your account

If you provide new information or raise a new issue to Appeals, your case may be returned to Examination for our determination on the new information.

For Appeals to have enough time to consider your case, the statute of limitations generally must have at least 365 days remaining when Appeals receives it. If additional time is needed, we will request your consent to extend the period the law provides to assess additional tax. If you don't consent to extend the statute, we'll close your case based on the proposed changes and send you a notice of deficiency (explained below). For estate tax cases only, there must be at least 270 days remaining on the non-extendable statute of limitations when Appeals receives the case.

If you don't reply by the response due date
We'll process your case based on the proposed changes and send you a notice of deficiency. The notice normally gives you 90 days to either agree to the deficiency or file a petition with the United States Tax Court.

If you petition the Tax Court, your case will normally be sent to Appeals to try to resolve the disagreement before the court considers it. If you allow the 90-day period to expire without petitioning the Tax Court, we'll bill you for any additional tax, penalties, and interest.

If you have questions, you can contact the person listed at the top of this letter.

Sincerely,

[Signature]

for Heather J. Yocum
Acting Director, Examination - Gulf States Area

Enclosures:
Examination Report
870
Form 12203
Publication 3498
Envelope