

This is an example of one of three letters being mailed to Niche employers. This letter is specific to those who may likely have a disclosure requirement.

Dear Employer:

cc: Agent

Recently, the Internal Revenue Service and Treasury published two Notices and one Revenue Ruling regarding welfare benefit plans. These pronouncements are described in more detail in the enclosed Announcement, and are available on our website at www.NichePlanSponsors.com.

We strongly urge you to share this information with your tax advisors, as we believe you may have an obligation to complete certain IRS forms, to be filed by January 15, 2008 and with your next tax returns.

Generally, the Notices describe certain welfare benefit plans that the IRS intends to challenge; defines certain welfare benefit plans as “listed transactions” requiring Disclosure to the IRS; and the revenue ruling precludes deductions for certain benefits that would otherwise be deductible, if the plan invests in cash value life insurance.

For tax years ending prior to November 5, 2007, any plans providing death benefits with cash value insurance policies, where the employer has deducted more than the amounts the employees included in income (or a table rate formula) are now considered listed transactions; and for years ending after November 5th, if the employer deducts any amount for the death benefits provided, the employer is deemed to have participated in a listed transaction.

Most “Niche employers” will have taken deductions for the mortality and expense charges of the life insurance policies, as that is the amount the plan actually paid for the benefits during the year. However, this amount is likely to be greater than the amounts included in employee income, and therefore the plans would now be considered listed transactions, requiring disclosure. Disclosure is required for any prior year where such has occurred and the year has not been closed by the statute of limitations. **This is true even if your plan has since terminated.**

Disclosure is satisfied by completing Form 8886 and mailing it to the Office of Tax Shelter Analysis by January 15; and by attaching an exact copy of that form with the employer’s tax return; and, for employers other than C-Corporations, with the personal tax returns of any 20% or greater shareholders, partners or members of the employer.



While we cannot give tax, accounting or legal advice, and nothing contained in these communications should be construed as such, we have enclosed an example of the Form 8886 for your to review with your own tax counsel. For your convenience, we have made the IRS Form 8886 available to download from our website.

Any parties involved in the presentation and implementation of the plan also have a disclosure requirement, as "material advisors", using Form 8918, also available on our website.

We understand that this is a lot of information and again urge you to contact your own tax advisors. We will be of assistance in any manner we can.

Sincerely,



Judi A. Carsrud
President

Enclosures:

Niche Announcement
Example of Form 8886

Form 8886 must be filed with the Office of Tax Shelter Analysis by January 15, 2008:

Internal Revenue Service
OTSA Mail Stop 4915
1973 North Rulon White Blvd.
Ogden, UT 84404

Neither Niche nor its agents or employees provide tax or legal advice. Any comments included in this written communication are not intended or written to be used, and cannot be used by the taxpayer, for the purpose of avoiding any penalties that may be imposed on the taxpayer by any governmental taxing authority or agency.