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KINGSLEY SERVICE COMPANY
782 FOXRIDGE CENTER DRIVE
ORANGE PARK, FLORIDA 32068
904-272-5999

July 3, 1991

910531-WS

Ms. Rhonda Hicks
Tax Department
Florida Public Service Commission
Fletcher Building
101 East Gaines Street
Tallahassee, Florida 32399-0870

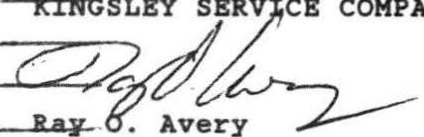
Re: Transmittal of one copy of the IRS 30 day letter showing the assessment of taxes to Kingsley Service Company pertaining to the Contributions in Aid of Construction paid by Demand Notes.

Dear Ms. Hicks:

Per your request, I am enclosing herewith one copy of the IRS's 30 day letter pertaining to the tax assessment to Kingsley Service Company.

Please advise if you have any further questions in this regard.

Very truly yours,
KINGSLEY SERVICE COMPANY

ACK _____
AFA _____
APP _____
CAF _____ Ray O. Avery 

CMU _____
CTR _____ Enclosure

EAG _____ cc: Mr. Steve Tribble, Director
LEG _____ Division of Records & Reporting

LIN _____
OPC _____
RCH _____
SEC _____
WAS _____
OTH _____

DOCUMENT NUMBER-DATE
06761 JUL -5 1991
PSC-RECORDS/REPORTING

Internal Revenue Service
District Director

Department of the Treasury
4613 Phillips Hwy., Suite 201
Jacksonville, FL 32207

Date: April 19, 1991

Person to Contact:

Ellen Beatie
Contact Telephone Number:
(904) 443-2079

Fred H. Steffey
6620 Southpoint Drive South, #300
Jacksonville, FL 32216

Dear Mr. Steffey:

The enclosed material is furnished to you under the provisions of a power of attorney or other authorization you have on file with us. For your convenience, we have listed below the name(s) of the taxpayer(s) to whom this material relates.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,



District Director

Enclosures:

- Letters
- Reports
-

Taxpayer(s)' Name(s):

Kingsley Service Company

**Internal Revenue Service
District Director**

Department of the Treasury
4613 Phillips Hwy., Suite 201
Jacksonville, FL 32207

Date: April 19, 1991

In Reply Refer to:
4303:Beatie
Person to Contact:
Ellen Beatie
Contact Telephone Number:
(904) 443-2079
Tax Year Ended and Deficiency/
Overassessment:
See Attached

> Kingsley Service Company
782 Foxridge Center Drive
Orange Park, FL 322065

Dear Taxpayer:

We are enclosing a report proposing adjustments to the amount of your tax for the year(s) shown above. Please read the report, decide whether you agree or disagree with us, and respond within 30 days from the date of this letter. [Our report may not reflect the results of examinations of flow-through entities (partnerships, S corporations, trusts, etc.) in which you may have an interest.]

IF YOU AGREE, you should:

1. Sign and date the enclosed agreement form.
2. Return the signed agreement form to us in the enclosed envelope.
3. Enclose payment of the tax and interest if additional tax is due, if you wish to stop the further running of interest. (The person whose name and telephone number appear above will be able to tell you how much interest is due to the date you intend to make payment. See the enclosed Publication 5 for additional payment information.)

After we receive your signed agreement form, we will close your case and bill you for any unpaid tax or interest.

IF YOU DO NOT AGREE and wish a conference with the Regional Office of Appeals, you MUST LET US KNOW within 30 days.

1. If the proposed change to your tax is \$2,500 OR LESS for any tax period, you may call the person whose name and telephone number appear above; he or she will arrange for your case to be forwarded to Appeals. Or, you may send us your request by checking the appropriate section at the end of this letter; an additional copy of this letter is provided for this purpose. Mail this to us in the enclosed envelope.
2. If the proposed change to your tax is more than \$2,500 but is \$10,000 or less for any tax period, you must provide us with a BRIEF written statement of the disputed issues. This should be shown in the area found at the end of this letter; an additional copy of this letter is provided for this purpose. Mail this to us in the enclosed envelope.
3. If the proposed change to your tax is MORE THAN \$10,000 for any tax period, we will require a written protest. Follow the instructions in the enclosed Publication 5. Mail the protest to us in the enclosed envelope.

(over)

An Appeals Officer, who has not previously examined your return, will take a fresh look at your case. The Appeals Office is independent of the District Director. Most disputes considered by Appeals are resolved informally and promptly. By going to Appeals, you may avoid court costs (such as the Tax Court's \$60 filing fee), clear up this matter sooner, and prevent interest from running. An Appeals Officer will telephone you and, if necessary, arrange an appointment.

Under Code section 6673, the Tax Court is authorized to award damages of up to \$5,000 to the United States where a taxpayer unreasonably fails to pursue available administrative remedies. Damages could be awarded under this provision, for example, if the Court concludes that it was unreasonable for a taxpayer to bypass Appeals and then file a petition in the Tax Court. The Tax Court will make that determination based upon the facts and circumstances of each case. Generally, the Service will not ask the Court to award damages under this provision if you made a good faith effort to meet with Appeals and to settle your case before petitioning the Tax Court.

If you do not reach an agreement with Appeals or if you do not respond to this letter, we will process your case on the basis of the enclosed examination report. If you decide to bypass Appeals and petition the Tax Court, your case will normally be assigned for settlement to an Appeals Office before the Tax Court hears the case. (References to Tax Court do not apply to excise or employment tax cases.) If YOU ARE UNSURE as to what to do or have other questions, call the person whose name and telephone number appear above. We will be glad to discuss your choices.

Sincerely yours,



District Director

"If you are a "C" corporation, this letter may invoke an interest rate two percent higher than the normal rate of interest, computed on the amount finally determined due, as provided by section 6621(c) of the Internal Revenue Code."

- Enclosures:
Copy of this letter
Examination Report
Agreement Form
Publication 5
Envelope

STATEMENT OF DISPUTED ISSUES

Check appropriate block:

[] TAX IN DISPUTE IS \$2,500 OR LESS FOR ANY TAX PERIOD (Note: You may call us with this request if you prefer.)

I disagree and wish a conference with an Appeals Officer.

Signature Date

[] TAX IN DISPUTE IS OVER \$2,500 BUT IS \$10,000 OR LESS FOR ANY TAX PERIOD

Unagreed Adjustment(s):

Reason for Disagreement:

Horizontal lines for providing details on adjustments and reasons for disagreement.

(If more space is needed, attach a separate sheet.)

Signature Date

TAX YEAR ENDED AND DEFICIENCY/OVERASSESSMENT

<u>Tax Year Ended</u>	<u>Deficiency/Overassessment</u>	<u>Penalties</u>
8712	\$829,287.00	
8812	\$496,085.00	
8912	\$131,108.00	
9012	\$ 834.00	

Form 870
(Rev. February 1986)

Department of the Treasury – Internal Revenue Service
**Waiver of Restrictions on Assessment and Collection of Deficiency
 in Tax and Acceptance of Overassessment**

Date received by
Internal Revenue Service

Names and address of taxpayers (Number, street, city or town, State, ZIP code)

Kingsley Service Company
 782 Foxridge Center Drive
 Orange Park, FL 32065

Social security or employer identification
number

59-1307242

Increase (Decrease) in Tax and Penalties

Tax year ended	Tax	Penalties			
8712	\$ 829,287	\$	\$	\$	\$
8812	\$ 496,085	\$	\$	\$	\$
8912	\$ 131,108	\$	\$	\$	\$
9012	\$ 834	\$	\$	\$	\$
	\$	\$	\$	\$	\$
	\$	\$	\$	\$	\$
	\$	\$	\$	\$	\$

(For instructions, see back of form)

Consent to Assessment and Collection

I consent to the immediate assessment and collection of any deficiencies (*increase in tax and penalties*) and accept any overassessment (*decrease in tax and penalties*) shown above, plus any interest provided by law. I understand that by signing this waiver, I will not be able to contest these years in the United States Tax Court, unless additional deficiencies are determined for these years.

Signatures		Date
		Date
	By	Title

Name and Address of Taxpayers	EIN
Kingsley Service Company	59-1307244
782 Foxridge Center Dr.	Changes discussed with
Orange Park, FL 32065-	

1. Adjustments to Income	Year 9012	Year	Year
A. CIAC	319742.00		
B. Depreciation	-317289.00		
C.			
D.			
E.			
F.			
G.			
2. Total Adjustments	2453.00		
3. Taxable Income Per Return or as Previously Adjusted	1271629.00		
4. Corrected Taxable Income	1274079.00		
5. Tax	433187.00		
6. Alternative Tax, if applicable			
7. Corrected Tax Liability	433187.00		
8. LESS: a.			
Credits b.			
(Specify) c.			
9. Balance	433187.00		
a. Recapture of ITC			
10. PLUS: b.			
c.			
11. Total Corrected Tax Liability	433187.00		
12. Total Tax per Return	433287.00		
13. Deficiency	834.00		
14. Overassessment			
15. Adjustments to Prepayment Credit	0.00		
16. Balance Due	834.00		
17. Overpayment			
18. Penalties (see explanation)			

Other Information:

Examiner's Signature 4303:6.DOWNS	<i>[Signature]</i>	District JACKSONVILLE	Date 04/15/91
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Consent to Assessment and Collection - I do not wish to exercise my appeal rights with the Internal Revenue Service or to contest in the United States Tax Court the findings in this report. Therefore, I give my consent to the immediate assessment and collection of any increase in tax and penalties, and accept any decrease in tax and penalties shown above, plus any interest as provided by law. It is understood that this is subject to the acceptance of the District Director.

Signature of Taxpayer	Date	Signature of Taxpayer	Date

by _____ TITLE _____

Name and Address of Taxpayers : EIN
 : 59-1307244
 Kingsley Service Company
 782 Foxridge Center Dr. : Changes discussed with
 Orange Park, FL 32065-

1. Adjustments to Income	Year 8712	Year 8812	Year 8912
A. CIAC	2189363.00	1776137.00	728505.00
B. Depreciation	-138720.00	-316912.00	-342993.00
C.			
D.			
E.			
F.			
G.			
2. Total Adjustments	2050643.00	1459224.00	385612.00
3. Taxable Income Per Return or as Previously Adjusted	906131.00	2002247.00	1303044.00
4. Corrected Taxable Income	2952774.00	2459471.00	1708656.00
5. Tax	1181251.00	1178222.00	560943.00
6. Alternative Tax, if applicable			
7. Corrected Tax Liability	1181251.00	1178222.00	560943.00
8. LESS: a. Credits: b. (Specify) c.			
9. Balance	1181251.00	1178222.00	560943.00
a. Recapture of ITC			
10. PLUS: a. b. c.			
11. Total Corrected Tax Liability	1181251.00	1178222.00	560943.00
12. Total Tax per Return	581854.00	560122.00	448835.00
13. Deficiency	609397.00	498099.00	112108.00
14. Overassessment			
15. Adjustments to Prepayment Credit	0.00	0.00	0.00
16. Balance Due	609397.00	498099.00	112108.00
17. Overpayment			
18. Penalties (see explanation)			

Other Information:

Examiner's Signature: 4303:G.DOWNS *[Signature]* District: JACKSONVILLE Date: 04/15/91

Consent to Assessment and Collection - I do not wish to exercise my appeal rights with the Internal Revenue Service or to contest in the United States tax court the findings in this report. Therefore, I give my consent to the immediate assessment and collection of any increase in tax and penalties, and accept any decrease in tax and penalties shown above, plus any interest as provided by law. It is understood that this is subject to the acceptance of the District Director.

Signature of Taxpayer	Date	Signature of Taxpayer	Date

by _____ TITLE _____

Instructions

General Information

If you consent to the assessment of the deficiencies shown in this waiver, please sign and return the form in order to limit any interest charge and expedite the adjustment to your account. Your consent will not prevent you from filing a claim for refund (*after you have paid the tax*) if you later believe you are so entitled. It will not prevent us from later determining, if necessary, that you owe additional tax; nor extend the time provided by law for either action.

We have agreements with State tax agencies under which information about Federal tax, including increases or decreases, is exchanged with the States. If this change affects the amount of your State income tax, you should file the required State form.

If you later file a claim and the Service disallows it, you may file suit for refund in a district court or in the United States Claims Court, but you may not file a petition with the United States Tax Court.

We will consider this waiver a valid claim for refund or credit of any overpayment due you resulting from any decrease in tax and penalties shown above, provided you sign and file it within the period established by law for making such a claim.

Who Must Sign

If you filed jointly, both you and your spouse must sign. If this waiver is for a corporation, it should be signed with the corporation name, followed by the signatures and titles of the corporate officers authorized to sign. An attorney or agent may sign this waiver provided such action is specifically authorized by a power of attorney which, if not previously filed, must accompany this form.

If this waiver is signed by a person acting in a fiduciary capacity (*for example, an executor, administrator, or a trustee*) Form 56, Notice Concerning Fiduciary Relationship, should, unless previously filed, accompany this form.

KINGSLEY SERVICE COMPANY

ISSUE:

		1987	1988	1989	1990
Taxability of CIAC.					
	Return	\$ -0-	\$ -0-	\$ -0-	\$ -0-
	Exam	2,189,363	1,776,137	728,605	319,742
	Income Adjustment	2,189,363	1,776,137	728,605	319,742
	Less allowable depreciation	138,720	316,913	342,993	317,289
	TOTAL ADJUSTMENT	\$2,050,643	\$1,459,224	\$ 385,612	\$ 2,453

LAW:

IRC section 61, 118, 446, 451, and court cases mentioned in Counsel's memo.

TAXPAYER'S POSITION:

Amounts received relevant to notes are non taxable CIAC payments. Position is presented in the memo from taxpayer's attorney, on pages 4-12 of this report.

FACTS & CONCLUSION:

Amounts received on the notes are taxable when received as presented in District Counsel's memo on pages 13-21 of this report.

ALTERNATIVELY it is determined that the taxpayer did not have an accounting method with respect to CIAC. The taxpayer is on the accrual method of accounting, however, with respect to CIAC, developers were invoiced and the amounts were booked to CIAC when received. It is determined that the amounts received after the invoice are payments for CIAC and as such are taxable when received.