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United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP
WASHINGTON, DC 20510-6350

October 26, 2007

Mr. Erik Prince
Chairman
The Prince Group
1650 Tyson Boulevard, Suite 800
McLean, VA 22102

Dear Mr. Prince:

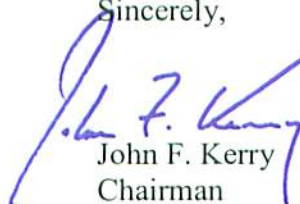
Earlier in the week, I sent a letter to Small Business Administrator Stephen C. Preston regarding a press release issued by Blackwater Worldwide in response to House Committee on Oversight and Government Chairman's Waxman inquiry about possible tax evasion by Blackwater Security Consulting, LLC. The letter inquired about the following statement by Blackwater: "The U.S. Small Business Administration has determined in an official finding applying 'the criteria used by the IRS for Federal income purpose,' that 'Blackwater security contractors are not employees.'"

I received a prompt response from SBA Administrator Preston indicating that the Small Business Administration issued a size determination regarding Presidential Airways, an affiliate of Blackwater. As expected, the letter states that "...SBA's size determinations are solely for the purpose of ascertaining eligibility for our small business programs and have no applicability to tax liability matters."

I would like to know why Blackwater relied on or referenced an SBA size determination for classifying its workers for tax purposes. Please send me any documents related to the SBA size determination and your classification of workers as employees for tax purposes, an explanation of the chain of command of Blackwater workers who are deployed in Iraq and Afghanistan, and the status of any IRS audit of Blackwater and any related companies.

Thank you in advance for your cooperation.

Sincerely,



John F. Kerry
Chairman

