

## EXPLANATION OF CIRCULAR 230 DISCLAIMER

To Our Clients:

Effective June 20, 2005, new rules were issued by the U.S. Treasury Department to govern the conduct of tax practitioners, including lawyers and accountants. These rules are set forth in regulations known as "Circular 230". Circular 230 has historically governed tax practice before the Internal Revenue Service, but these rules have been substantially revised over the last several years as part of the Government's efforts to police abusive tax shelter activities. In the most recent revision, the Treasury Department significantly expanded the scope of Circular 230 to dictate how all tax practitioners must communicate with their clients when providing written tax advice.

Circular 230 now requires that if certain written tax advice (including e-mails) is to avoid the procedural due diligence requirements applicable to formal tax opinion letters, the written advice must contain certain disclaimers to the effect that the advice may not be used to avoid IRS penalties which may otherwise be imposed as the result of the tax reporting position taken by the taxpayer on a tax return. Therefore, in order to avoid the time and expense of a formal opinion letter when rendering tax advice, you will see this disclaimer language in some messages from us, including correspondence, memos and e-mail messages. All responsible tax practitioners will follow these disclaimer requirements of Circular 230 in similar circumstances.

While justified by the Treasury Department as part of its efforts to target abusive transactions, the scope of Circular 230 is now extremely broad, and has been the subject of widespread criticism by tax practitioners in the legal and accounting professions (including those within our own hallways). Irrespective of our views on the scope of Circular 230, we are obligated to comply with the new regulations whenever we provide you with written advice concerning Federal tax issues. Consequently, in those cases where we don't believe any written tax advice justifies the time and expense of a formal tax opinion letter, our written communication may include the following disclaimer:

**Required Disclaimer: Effective June 20, 2005, U.S. Treasury rules now require that any written Federal tax advice by the Firm which does not meet the standards of a formal tax opinion letter (such as the foregoing) must state that the taxpayer may not rely upon the written advice for the purpose of avoiding penalties which might otherwise be imposed by the Internal Revenue Service with respect to the taxpayer's reporting position.**

We believe that providing this disclaimer will be a more sensible and cost-effective way to comply with Circular 230.

Our new procedures do not change in any way our commitment to delivering the highest quality tax services to our clients in a cost efficient manner. Please call us if you have any question about how Circular 230 may affect our representation of your interests.