To Our Clients and Friends: ***June 8, 2005***

New IRS Rules on Written Tax Advice

The Treasury Department has issued new Regulations that dictate how attorneys and other tax professionals must communicate with their clients whenever those professionals render "written advice" on tax issues. These Regulations purport to have been issued under Treasury's power to regulate the conduct of tax practitioners before the Internal Revenue Service, but their origin lies in Treasury's well-publicized and entirely justifiable war on "abusive tax shelters." In any event, the new Regulations sweep very broadly -- many would say too broadly -- and will frequently restrict ordinary communications between attorney and client relating to non-abusive transactions.

Regardless of how we at Roberts & Holland view the propriety of the new Regulations, we are obligated, as attorneys who regularly practice before the IRS, to comply with the new Regulations whenever we provide you with written advice (including even casual e-mail communications) with respect to a broad class of transactions that have a material degree of tax motivation. Effective June 21, 2005, the new Regulations will force us and our clients to make a choice when we provide written communications of this kind. Either we will have to issue a full-blown, formal opinion on the significant tax issues in the transaction, rendered after an appropriate "due diligence" verification of the facts, or, in many cases, we will be able to avoid that time consuming and expensive process by including the following "legend" on the written advice: **"This written advice was not intended or written to be used, and it cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer."**

The amount of time and effort -- and therefore expense to the client -- required to write a formal opinion, or to determine in a particular case that the new rules do not apply, are likely to be vastly disproportionate to the benefit. Accordingly, we anticipate that, in the great majority of cases, it will be much more sensible and cost effective to comply with the second alternative under the new rules, when it is available, and to insert the "legend" on our written communications with you. We are, therefore, implementing a practice of automatically "legending" many letters, memoranda, faxes, e-mails, etc. that we send to our clients, just as this letter, for example, is "legended" at the bottom of page 1.

This written advice was not intended or written to be used, and it cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer. (The foregoing legend has been affixed pursuant to U.S. Treasury Regulations governing tax practice.)

A client could well question the benefit of our written advice, if the client does not wish to incur the cost of a full-blown opinion and chooses to accept the "legend." The presence of the legend on our written advice does not taint our advice or the authorities we relied upon in reaching our legal conclusions. The import of the legend is only that, if the desired tax treatment for a transaction discussed in our advice is not sustained, the client may not avoid a penalty for negligence or substantial understatement of tax merely because the client relied on our advice. However, even in such cases, imposition of a penalty will not be automatic. Various defenses, including the existence of "substantial authority" that supports a position taken in our advice, may still be available to avoid the imposition of penalties under the applicable provisions of the Code and Regulations.

In the past, the form of our written communications with our clients has reflected a range of situations. In some circumstances, an "off-the-cuff" response has been appropriate; in some, we have formed a considered, but informal view that might be subject to change if more time, information, etc. were available; in others, we have reflected careful research and formal analysis; and so on. Our new procedure does not reflect any change in the degree of care and attention that we intend to give each communication with you, which will continue to fall into those various categories. We are simply adding a "legend," as required by the Treasury Department and the IRS, in order to make it possible to communicate in a cost effective manner. Of course, in those cases in which we are asked to render a formal, written opinion, and we determine that such an opinion is appropriate, we will do whatever we need to do to comply with the new rules, and we will then delete the "legend" from our final written opinion.

Do not hesitate to call any of our attorneys if you have questions about our new procedure.

Roberts & Holland LLP