



BALCH & BINGHAM LLP

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To Our Clients and Friends:

As part of the Treasury Department's response to "tax shelter" transactions, new standards of conduct have been issued for professionals who practice before the Internal Revenue Service. These new standards, known as Circular 230, address how professionals must communicate written federal tax advice to their clients, even on issues which are not "tax shelter" transactions. The changes took effect June 21, 2005.

Many taxpayers use written advice from practitioners on federal tax issues to claim that they were justified in taking a particular position on their tax returns and, therefore, that they should not be subject to federal tax penalties. Circular 230 provides that, in order for a written communication to protect a taxpayer from the payment of tax penalties, the communication must meet certain minimum standards of factual and legal inquiry and analysis. Because such communications will necessarily take the form of a formal legal opinion, they will be more costly to render and may take more time to prepare.

In many cases, our clients seek advice which has a tax impact even when they do not wish to utilize our communication for the avoidance of federal tax penalties (such as when they wish to rely on some other legal defense to the imposition of tax penalties). In those cases, rather than the issuance of a comprehensive opinion, we will include the following disclaimer prominently within the communication:

IRS CIRCULAR 230 DISCLOSURE: Unless explicitly stated to the contrary, this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed herein.

The disclaimer will appear in all emails, as well as in certain other communications and documents, so that we can provide our clients with timely and cost-efficient advice. The presence of the disclaimer in no way lessens our commitment to provide our clients with advice that conforms to the standard of care appropriate for the situation.

If you have any questions about the effect of Circular 230, please feel free to contact Bing Edwards at (205) 226-8775.

Yours very truly,

BALCH & BINGHAM LLP

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