

January 6, 2006

Client of CHWWM

*Re: IRS Settlement Initiative; Announcement 2005-80*

Dear Friends of Chamberlain Hrdlicka White Williams & Martin:

We are writing to all our clients to call attention to an important IRS settlement initiative, IRS Announcement 2005-80 ("Announcement 2005-80"). The announcement sets out standard settlement terms for resolving tax issues relating to certain transactions that the IRS has determined to be abusive. The full text of Announcement 2005-80 can be found at <http://www.irs.gov/pub/irs-drop/a-05-80.pdf>. Taxpayers who invested in promotions that have been classified by the IRS as Listed Transactions or as other abusive tax shelters may be eligible to settle their cases. The transactions covered by Announcement 2005-80 are separately set out on the schedule accompany this letter.

If you invested in a "tax shelter" promotion covered by Announcement 2005-80, you immediately should investigate whether the settlement initiative may be advantageous to you, as the initial deadline for action is January 23, 2006. If you need assistance with any matters relating to Announcement 2005-80, please call your attorney at the Firm or the undersigned.

Very truly yours,

CHAMBERLAIN, HRDLICKA, WHITE  
WILLIAMS & MARTIN, P.C.

BY: George Connelly

Enclosure  
0554048.06

*Circular 230 Notice - To comply with requirements imposed by the IRS, any U.S. federal tax advice contained in 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 tax-related matter(s).*

## Listed Transactions from Announcement 2005-80

The following transactions are eligible for settlement under this initiative. Stated by each transaction is the accuracy-related penalty on the underpayment attributable to the transaction that a person will be required to pay, unless one of the exceptions listed in paragraph E of section 4 applies.

1. Notice 2002-21, 2002-1 C.B. 730 (Tax Avoidance Using Inflated Basis) (20%).
2. Notice 2001-16, 2001-1 C.B. 730 (Intermediary Transactions Tax Shelter) (20%).
3. Notice 2003-55, 2003-2 C.B. 395 (Accounting for Lease Strips and Other Stripping Transactions (10%), and transactions involving losses reported from inflated basis assets from lease strips (20%)).
4. Notice 2003-54, 2003-2 C.B. 363 (Common Trust Fund Straddle Tax Shelters) (10%), but excluding transactions described in Notice 2002-50, 2002-1 C.B. 992, and Notice 2002-65, 2002-2 C.B. 690.
5. Notice 2003-81, 2003-2 C.B. 1223 (Tax Avoidance Using Offsetting Foreign Currency Option Contracts) (10%).
6. Notice 99-59, 1999-2 C.B. 761 (Tax Avoidance Using Distributions of Encumbered Property) (10%).
7. Rev. Rul. 2004-98, 2004-42 I.R.B. 664 ("Reimbursements" for parking expenses previously paid by an employer or previously paid by an employee through salary reduction) (5%).
8. Rev. Rul. 2004-20, 2004-1 C.B. 546, Situation 1 (Pension plan fails to satisfy section 412(i) where amounts accumulated under life insurance contracts and annuities held by the plan exceed benefits payable under plan terms) and Situation 2 (Employer contributions to pension plan are not currently deductible when used to pay premiums on life insurance contracts that provide for death benefits in excess of the participant's death benefit under the terms of the plan), and Rev. Rul. 2004-21, 2004-1 C.B. 544 (Pension plan fails to satisfy nondiscrimination requirements due to differences in the value of participants' rights to purchase life insurance contracts from the plan) (5%).
9. Notice 2004-8, 2004-1 C.B. 333 (Abusive Roth IRA Transactions) (5%).
10. Rev. Rul. 2004-4, 2004-1 C.B. 414 (Transactions that involve segregating the business profits of an employee stock ownership plan (ESOP)-owned S corporation in a qualified subchapter S subsidiary, so that rank-and-file employees do not benefit from participation in the ESOP) (5%).
11. Notice 2003-77, 2003-2 C.B. 1182 (Transfers to Trusts to Provide for the Satisfaction of Contested Liabilities) (5%).
12. Notice 2003-24, 2003-1 C.B. 853 (Tax Problems Raised by Certain Trust Arrangements Seeking to Qualify for Exemption for Collectively Bargained Welfare Benefit Funds under section 419A(f)(5)) (5%).
13. Rev. Rul. 2003-6, 2003-1 C.B. 286 (Certain arrangements involving the transfer of ESOPs that hold stock in an S corporation for the purpose of claiming eligibility for the delayed effective date of section 409(p)) (5%).
14. Rev. Rul. 2002-3, 2002-1 C.B. 316; Rev. Rul. 2002-80, 2002-2 C.B. 925 ("Reimbursements" of employees for salary reduction amounts previously excluded from gross income under section 106; "Advance reimbursements" or "loans" without regard to whether an employee has incurred medical expenses) (5%).
15. Notice 2000-60, 2000-2 C.B. 568 (Stock Compensation Corporate Tax Shelter) (5%).
16. Rev. Rul. 2000-12, 2000-1 C.B. 744 (Certain transactions involving the acquisition of two debt instruments the values of which are expected to change significantly at about the same time in opposite directions) (5%).
17. Notice 95-34, 1995-1 C.B. 309 (Tax Problems Raised by Certain Trust Arrangements Seeking to Qualify for Exemption from section 419) (5%).
18. Treas. Reg. section 1.643(a)-8 (Certain Distributions by Charitable Remainder Trusts) (5%).
19. Certain abusive charitable contributions and conservation easements (Deductions under section 170 improperly claimed as a result of: (a) open space easements where the easement has no, or de minimis, value; (b) historic land or facade easements that have no, or de minimis, value; and (c) so-called conservation buyer transactions where the charitable organization purchases property, places an easement on it and then "sells" the property with the easement to a buyer at a price substantially less than that paid for it and the buyer also makes a charitable contribution that approximates the price differential. See Notice 2004-41, 2004-28 I.R.B. 31.) (5%).
20. Certain abusive charitable contributions of patents and other intellectual property (Transfers of patents or other intellectual property to charitable organizations where the property transferred has no, or de minimis, value. See Notice 2004-7, 2004-1 C.B. 310.) (5%).
21. Management S Corporation ESOP Transactions (Transactions where the taxpayer has claimed that it is entitled to exclude income of an operating business by asserting, incorrectly, that the taxpayer had established, on or before March 14, 2001, an employee stock ownership plan entitled to an exemption from unrelated business income and an S corporation that is a management corporation, and whatever actions that were taken to attempt to establish an employee stock ownership plan and a management S corporation were taken on or before March 14, 2001) (5%).