

IRS News Release

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IRS Announces Groundbreaking OPR Settlement with Attorneys

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WASHINGTON — The Internal Revenue Service's Office of Professional Responsibility (OPR) announced today a settlement agreement with Michael C. Ormsby and David O. Thompson, in connection with a \$31 million municipal bond issuance involving River Park Square in Spokane, Washington in 1998 handled by the former firm of Preston, Gates & Ellis LLP.

OPR raised allegations, including the scope of due diligence, under Treasury Department Circular 230 sections 10.22, 10.29, 10.34, and 10.51(j), with respect to the tax aspects of the bond opinion rendered in the matter. The Respondents filed answers denying the allegations. In the settlement, the attorneys agreed to comply fully with practices and procedures implemented by their current firm in its public finance group, including but not limited to (i) submitting new matters to a review and approval process, (ii) completing questionnaires and checklists to document the due diligence activities undertaken in the matter, and (iii) following practices and procedures established by the firm's opinion committee for municipal bond opinions. The attorneys also agreed that, for a period of 18 months from the date of settlement, any opinion proposed to be delivered by the attorneys in connection with certain specified financings will be reviewed and approved by the leader of the public finance group, who is also a member of the firm's opinion committee. OPR believes the settlement will result in enhanced oversight of the state and local bond practice of these attorneys and will help assure their compliance with the applicable requirements of Circular 230. OPR agreed that implementation of such practices and procedures is appropriate for municipal bond attorney practice.

OPR and the attorneys agreed that the settlement does not constitute any admission of wrongdoing by, or a sanction of, the attorneys.

The Office of Professional Responsibility is pleased to have reached an agreement that demonstrates its commitment to ensuring bond lawyers comply with Circular 230 when involved in tax-exempt municipal bond issuances. Such efforts are an outgrowth of OPR's enhanced oversight of Circular 230 practitioners.

The settlement agreement included a disclosure authorization that allowed the Office of Professional Responsibility to issue this release.