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**Subject: Proposed Regulation Regarding Statutory Disallowance Provisions in
Massachusetts**
Date: May 18, 2006

To: Our Clients and Friends

Attached is a proposed regulation in connection with the related party add back provisions in Massachusetts. By way of background, a number of states address intercompany pricing issues by statutorily disallowing certain intercompany expenses and/or excluding certain intercompany income. Massachusetts law provides for the add back of certain related party interest and/or intangible expenses. The proposed regulation is intended to explain the statutory add back provisions, provide exceptions related thereto, and offer examples illustrating the exceptions.

I will keep you apprised of the status of the proposed regulation. It is my understanding that the proposed regulation embodies the current position of the Massachusetts Department of Revenue for the issues contained therein.

If you have any questions regarding the within, or any other state and local tax matters, please do not hesitate to contact me.

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