



## MEMORANDUM

TO: 62, U/A 6/15/92 by Walter A. Starr III 1992 Trust  
Walter A. Starr III, Trustee

FROM: Sharene Nelson, Corporate Controller

DATE: December 4, 2019

RE: 2019 Q4 Tax Distribution

As discussed in previous business updates and tax letters, the 2019 tax distribution rate has been set at 28.0% based on our current estimate of 2019 taxable income. This tax rate represents our estimate of the highest average individual tax rate. We will adjust the unitholder tax rate up or down if there are significant changes to estimated taxable income or unitholder tax rates.

In the fourth quarter, we have increased 2019 estimated taxable income from \$13.3M to \$17.4M. This increase in estimated taxable income also increased our estimate of income taxes. The fourth quarter tax distribution is \$1.48 per unit, compared to the previous estimate of \$0.69 per unit.

### **Adjustment for Oregon Tax Distributions**

The Company files a composite income tax return in Oregon on behalf of all eligible unitholders that wish to participate (generally includes most unitholders other than Oregon state residents). Details of this filing are included in the K-1 package that is mailed to unitholders by BBJS in mid-March. The Company pays the Oregon income tax on behalf of unitholders, and then reduces subsequent tax distributions by the tax amount paid.

Consistent with our historical practice, adjustments for Oregon income tax happen one year in arrears. The adjustment below (if any) represents 50% of your 2018 Oregon income tax liability. The other 50% was withheld from the Q3 2019 tax distribution payment made in September 2019.

Description *	Amount
Q4 Tax Distribution	\$50,024.00
Less: 2018 Q4 Oregon Taxes Withholding (50%)*	(\$4,518.00)
<b>Q4 2019 Estimated Tax Distribution Payment, Net</b>	<b>\$45,506.00</b>

\*Please note that the Oregon income tax is the only necessary adjustment in Q4 2019, as the excess tax distribution adjustment of \$1.55 applied to prior quarters in 2019 has been exhausted.

Following is more detail on the 2019 estimated tax liabilities and distributions:

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In 2019, we will continue to calculate tax liabilities for all unitholders following California's payment schedule, which requires that estimated state tax payments be accelerated in the first two quarters of the year:

	Q1	Q2	Q3	Q4	Total
% of Federal Tax Paid	25%	25%	25%	25%	100%
% of State Tax Paid	30%	40%	0%	30%	100%

Based on the current estimate for 2019 taxable income of \$17,350,000, estimated quarterly tax liabilities per unit are as follows:

	Q1-Q3	Q4	Total
Federal Tax per Unit	\$ 1.40	\$ 1.00	\$ 2.40
State Tax per Unit	\$ 0.51	\$ 0.48	\$ 0.99
Total Tax per Unit	\$ 1.91	\$ 1.48	\$ 3.39

Handwritten annotations: A red box labeled "35000" points to the Q4 column. A red box labeled "10500" points to the Q4 State Tax per Unit value (\$0.48).

See below for a detail of estimated tax information for use in calculating your personal income tax estimates:

**Estimated 2019 Taxable Income Allocable to Unitholders**

Ordinary loss	(\$28,497,000)	
Net rental income	\$272,000	
Interest	\$254,000	
Section 1231 gain	\$45,721,000	
Charitable contributions	(\$400,000)	
<b>Taxable income</b>	<b>\$17,350,000</b>	<b>A</b>

<b><u>Weighted average number of units</u></b>	<b>1,431,200</b>	<b>B</b>
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<b><u>Estimated 2019 Taxable Income Per Unit</u></b>	<b>\$12.12</b>	<b>C = (A/B)</b>
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<b><u>Estimated 2019 Tax Distribution Per Unit</u></b>		
2019 tax at 28% (19% federal, 9% state)	\$3.39	C X 28%
Q1 estimated tax (25% federal, 30% state)	\$0.60	
Q2 estimated tax (25% federal, 40% state)	\$0.67	
Q3 estimated tax (25% federal)	\$0.64	
Q4 estimated tax (25% federal, 30% state)	\$1.48	
2019 estimated tax	<u>\$3.39</u>	

Estimates for 2019 taxable items are based on management's current projections, and these estimates frequently change. As the year progresses, any adjustments to taxable estimates will be reflected in subsequent quarterly tax distributions.

If you have questions, please contact me at snelson@portblakely.com or at (206) 621-3291.

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