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Sent: Tuesday, February 17, 2015 1:03 PM
To: Righter Price, Joan; John Iannozzi; Szczesny, Loren D.; Forzato, Nicole
Cc: revesq@aol.com; BIRDSALL, Michael; MUSOKE, Alan
Subject: 588 N. Gulph Road -- Settlement Proposal

Settlement Communication
Pa.R.E. 408

Dear Joan, John, Loren and Nicole:

Thank you for meeting with us on January 21, 2015 in an effort to reach an amicable resolution of our client's tax appeal. As you know, and as we set forth in detail in my March 10, 2014 letter, we believe that the limited partners are the owners-occupiers of the property at 588 N. Gulph Road ("the Property") based on their co-ownership interest under Pennsylvania partnership laws. However, as we discussed on January 21, all parties seek to avoid the time, effort and costs of litigation.

As you suggested during our meeting, we have investigated transferring title to the Property to the limited partners as part of a settlement in which the parties would agree to a lower tax rate for the Property based on the exempt usage retroactive to January 1, 2013 with a future credit for overpayments paid during 2013 and 2014 until the agreed-upon overpayments are recovered. (Per your request, this would avoid the need for any current payment by the taxing authorities of the past overpayments while affording our clients the benefit of this settlement through reduction of future tax obligations until the full amount of the overpayments is recouped.)

We propose the following terms as part of a settlement agreement:

- Transfer Property from 588 Associates, L.P. to each limited partner based upon each limited partner's pro rata interest in a tenancy in common arrangement. Under this proposal, the limited partners would receive the following designated percentages in the Property: (a) American Baptist Churches in the U.S.A. (35%); (b) American Baptist Home Mission Society (35%); (c) Ministers and Missionaries Benefit Board of American Baptist Churches (25%); and (d) the American Baptist Foreign Mission Society (5%). We spoke informally with the Department of Revenue regarding transfer tax issues, and the Department of Revenue's counsel concurred that transferring property from the partnership to the limited partners in a tenancy in common relationship falls squarely within the exemption from realty transfer taxes under 72 P.S. § 8101-C.3(13).
- The parties will agree to the percentage of the Property that will be exempt retroactive to January 1, 2013. As presented in our August 9, 2013 letter to the Montgomery County Board of Assessment Appeals, we believe that the exempt percentage should be based upon the charitable use of the total occupied square footage (now 145,080 sq. ft.); in other words, 66.73% is the square footage of space used for exempt purposes (96,809 sq. ft.) divided by the total occupied square footage (not including unoccupied space).
- Our clients will receive a credit for past taxes paid in 2013 and 2014 as an offset to future taxes owed. Our clients will not be responsible for future real estate taxes until the credit for overpayment of taxes during 2013 and 2014 is used in full. Using the 66.73% figure, there was a total overpayment during 2013 and 2014 of \$472,857.25.

- As we discussed during our meeting, there are at least two alternative figures:
 - o 79.43% = Square footage of total space (234,635 sq. ft) minus space that is actively used for non-exempt purposes (48,271 sq. ft) divided by total square footage. Using the 79.43% figure, there was a total overpayment and future credit of \$562,848.26.
 - o 41.26% = Square footage of space used for exempt purposes (96,809 sq. ft.) divided by total square footage (234,635 sq. ft). Using the 41.26% figure, there was a total overpayment and future credit of \$292,377.75.
- Future taxes on the Property will be calculated based on the exempt percentage to which the parties agree (i.e., one of the three listed above or an alternative compromise figure).

(Note: Although we are hopeful that the parties can reach an agreement in short order, we would propose that any obligation to pay 2015 tax bills be deferred without interest until the parties reach an agreement.)

Best,

Glen

Glen R. Stuart

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