

Estate's K1s

\$545,820

Cash payment to the estate from the payoff of the Lynch note on

April 21, 1992

Anthony O'Connell
6541 Franconia Road
Springfield, Virginia 22150
{703} 971-2855
November 16, 1992

Mr. Ed White, Attorney
118 South Royal Street
Alexandria, Virginia 22314

Ref: Your letter of 11/13/92

Dear Mr. White:

Thank you for your letter. You mention that distributions from my mother's estate to the beneficiaries are tax free (except from after death income), and that the Lynch Note will not produce any capital gains.

Perhaps I am misinterpreting your letter or perhaps I'm just plain wrong. I hope I am wrong.

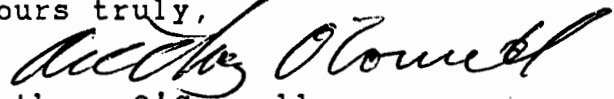
The Lynch Note to the estate, a result of the installment sale of my mother's residence on 4/21/88, carries with it a taxable capital gain. The IRS requires that this capital gains tax be paid by the estate or the beneficiaries if the taxable capital gain is passed through the estate to the beneficiaries before the end of the tax year.

The gross profit percentage on the sale was seventy-nine percent (79%). The payoff of the Lynch note to the estate on 4/21/92 was \$545,820.42 of which \$45,067.74 was income and \$500,752.68 was capital. Of that \$500,752.68 in capital, 79% or \$395,594.62 is taxable capital gain.

In order for the beneficiaries to minimize penalties and interest on their quarterly estimated tax payments to the IRS, would you please tell us what share of the capital gains tax liability or any tax liability, has been distributed from the estate to the beneficiaries?

I make much better tax plans if I know what my projected taxable and non-taxable income is going to be. Six weeks remain in the tax year. Would you please send the beneficiaries, with all deliberate haste, your close out schedule for my mother's estate? Please be as specific in dollars and dates as you possible can.

Yours truly,



Anthony O'Connell

Copy to:

Ms. Jean O'Connell Nader

Ms. Sheila O'Connell

Ms. JoAnn Barnes (with a copy of your 11/13/92 letter)

EDWARD J. WHITE
ATTORNEY AT LAW
118 SOUTH ROYAL STREET
ALEXANDRIA, VIRGINIA 22314
TELEPHONE 836-5444

November 16, 1992

Mr. Anthony M. O'Connell
6541 Franconia Rd.
Springfield, Va. 22150

Mrs. Jean M. Nader
350 Fourth Ave.
New Kensington, Pa. 15068

Mrs. Sheila O'Connell-Shevenell
44 Carlton St.
Portland, Maine 04102

Re: Estate of Jean M. O'Connell

Regretfully I have to amend my letter of Friday. There is no "stepped up basis" on the Lynch note according to the accountants who are preparing the fiduciary income tax return. This is subject to a credit for tax paid on part of it in the estate tax return, but it will result in an estimated \$35,000 to \$40,000.00 in tax to the estate due to the note payoff. This is one of the reasons why a further disbursement would not be wise.

In addition, Jo Ann Barnes commented to me today that the Accotink valuation could well result in a question by the IRS and she feels no disbursement should be made.

Some sale of the Edwards accounts will probably be needed.

Jo Ann also reminds me that each of you should check with your own tax adviser after receiving the K-1 forms as to payment of estimated income taxes.

Sincerely,


Edward J. White

EJW/e

EDWARD J. WHITE
ATTORNEY AT LAW
118 SOUTH ROYAL STREET
ALEXANDRIA, VIRGINIA 22314
—
TELEPHONE 836-5444

November 17, 1992

Mr. Anthony M. O'Connell
6541 Franconia Rd.
Springfield, Va. 22150

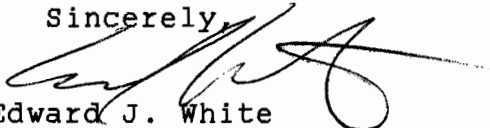
Re: Estate of Jean M. O' Connell

Dear Mr. O'Connell,

I received your letter of November 16, today. My letter of yesterday answers some of your questions. As I noted in that letter, unfortunately, you are correct on the capital gain situation. The tax will be paid by the estate on its fiduciary return.

Jo Ann Barnes is working hard on the return, and we will get you the K-1 data as soon as possible. The estate's tax year ended on August 31, 1992 and the distribution of the \$33,000.00 in September will have some tax effect on each of you. That distribution will result in a deduction for the post 8/31/92 estate tax year and the money will be passed through to you. At this point I cannot tell how much of it is going to be income and how much a distribution of estate corpus. There has been very little income since 8/31, and I suspect that most of it will be corpus. I will ask Jo Ann to try and work this up as soon as possible so that you all can do some intelligent planning.

Sincerely,


Edward J. White

EJW/e
Copy to: Jean M. Nader

Anthony O'Connell
6541 Franconia Road
Springfield, Virginia 22150
(703) 971-2855
December 14, 1992

Mr. Edward J. White
118 South Royal Street
Alexandria, Virginia 22314

Re: Your letter of December 11, 1992.

Dear Mr. White:

Thank you for your letter of December 11, 1992.

I personally do not think pursuing the minority interest point is a good idea. I vote "no".

All three beneficiaries own and operate their own business. For us, there are now two weeks left to make tax deductible disbursements. It would be quite helpful to me in my tax strategy to know my approximate taxable income. Would you please tell the beneficiaries your best estimate of our 1992 individual taxable income from the estate? Please use \$300,000.00 as the evaluation of Accotink.

Again, I ask that you please send the beneficiaries, with all deliberate haste, your close out schedule for my mother's estate. Please be as specific in dollars and dates as you possible can.

I thank you in advance.

Sincerely,



Anthony O'Connell

Copy:
Ms. Jean O'Connell
Ms. Sheila O'Connell

COPY

EDWARD J. WHITE
ATTORNEY AT LAW
118 SOUTH ROYAL STREET
ALEXANDRIA, VIRGINIA 22314
TELEPHONE 836-8444

December 16, 1992

Edgar A. Prichard, Esq.
8280 Greensboro Dr.
#900
McLean, Va. 22102

Re: Estate of Jean M. O'Connell

Dear Mr. Prichard,

Enclosed is a copy of a letter I received today from your client, Anthony M. O'Connell.

The fiduciary tax return including the K-1's were sent by express mail to Mrs. Nader, the other Co-Executor yesterday (the same day I received them from the accountant). I asked her to distribute them to the heirs.

Your client seeks my "best estimate" of taxable income from the estate, and a schedule of events with his usual request for specificity.

Thus far your client has received \$108,230.14 in discretionary, preliminary distributions. No further disbursements will be made until the Final Order of Distribution is entered.

The remainder of the information he seeks can more appropriately be produced to Mr. O'Connell either by you or his accountant, or is otherwise unavailable.

Sincerely,


Edward J. White

EJW/e
Encl.

Copy to: Jean M. Nader, Co-Executor

Is this the letter that
you thought Mr. Prichard
sent me?

Jean Nader

RECEIVED
JAN 27
1993

Sat.

DEAR Tony

1993.01.22 (received)
part 1 of 3

I received your letter
yesterday - You are a
witty writer!

I'll await the publication
that you ordered - at this
time I'm not making a
commitment to do this -

Love Jean -



I waited until
after Christmas to
send these copies
because I didn't

1993.01.22 (received)

part 2 of 3

want to risk losing
them in the mail —

EDWARD J. WHITE
ATTORNEY AT LAW
118 SOUTH ROYAL STREET
ALEXANDRIA, VIRGINIA 22314
TELEPHONE 836-5444

December 14, 1992

1993.01.22 (received)
part 3 of 3

Mrs. Jean M. Nader
350 1/2 Fourth Ave.
New Kensington, Pa. 15068

Re: Fiduciary tax

Dear Jean,

Enclosed for signature and mailing on December 15 are the state and federal returns and checks. If you do not have time to make copies, let me know and I will send them.

The tax on estate income generated must be paid either by the beneficiaries, the estate or a combination of both. In this case the latter applies. The rate is 28% in all cases

I am sorry for the rush on this, but the returns only arrived in my office today.

Dec 14

Sincerely,


Edward J. White

EJW/e
Encl.

Received
1/22/93
arun

I waited until now to mail
copies so that they would not be
rushed and/or lost in Christmas
mailings

Anthony O'Connell
6541 Franconia Road
Springfield, Virginia 22150
{703} 971-2855
January 26, 1993

Mr. Ed White, Attorney
118 South Royal Street
Alexandria, Virginia 22314

Reference: Estate of Jean O'Connell

Dear Mr. White:

Last week I received a copy of the estate's 1041 and K-1's for the estate's tax year ending August 31, 1992.

As I understand it, the 1992 taxable income of \$72,466.00 assigned to each beneficiary is based only on the first distribution of \$75,000.00, and at some point, you will determine what portion of the second distribution of \$33,000.00 on 9/15/92 will be taxed to us in 1993. If I am wrong, please correct me. For 1993 estimated tax purposes, should we expect this same 97% taxable amount?

In your letter of November 17, 1992, you state that the capital gains tax will be paid by the estate on its fiduciary return. The K-1 shows you assigned a \$57,301.00 taxable capital gain to each beneficiary. Why this shift of the tax burden from the estate to the beneficiaries?

I understand my sister had fifteen minutes to sign this return and get it in the mail to beat the deadline. If this is true, it puts her in the position of having to choose between signing something she does not have time to go over, or incurring penalties and interest by the IRS.

Sincerely,



Anthony O'Connell

Enclosure: Your letter of November 17, 1992

Copy to:
Ms. Jean Nader
Ms. Sheila O'Connell

EDWARD J. WHITE
ATTORNEY AT LAW
118 SOUTH ROYAL STREET
ALEXANDRIA, VIRGINIA 22314
TELEPHONE 836-5444

February 2, 1993

*I sent
this to you
before*

Mrs. Jean M. Nader
350 Fourth Ave.
New Kensington, Pa. 15068

Re: Estate events

Dear Jean,

At present the status of the estate is as follows:

Debts and Demands: A hearing following publication, for any creditors of the estate to come forward and press their claims was held on December 30, 1992 by the Commissioner of Accounts. No one appeared.

First Accounting: is still awaiting approval. I spoke to the Commissioner's office on January 29, and they said they are just beginning to review accounts filed in October. The account must be reviewed and any questions answered. (I have never known of a Commissioner who did not have some questions.) The account is then approved or disapproved, and the Commissioner files his report with the court. No time prediction can be made here as this is solely in the hands of the Commissioner.

Estate Tax Closing Letter or communication in lieu of a closing letter. No time prediction can be made here as this is solely in the hands of the IRS. In estate's of this size an audit of some or all of the return is not at all unusual.

Motion for an Order to Show Cause why the estate should not be distributed. Filed by the estate after the report of the accounting has been filed with the Court by the Commissioner.

Order to Show Cause why the estate should not be distributed. This is entered by the Court upon the request (and appearance) of the estate, following two weeks publication.

Order of Distribution. Presented to the Court following the Show Cause proceeding. The Show Cause - Order of Distribution statutory scheme is the protection for the executors.

Distribution in accordance with the Order.

Second (and Final) Accounting Filed after distribution

showing all transactions since the First Accounting.

Second Fiduciary Income Tax Return Filed after distribution for the period following the first return (9/1/92 - ?)

The unknown factors as far as time is concerned are: 1) the federal and state tax closing letters, 2) When the Commissioner approves the accounting, 3) When the Commissioner makes his report to the Court, 4) Delays in the Clerk's office. The fiduciary has no control whatsoever over any of these items

Enclosed are checks to be signed to the Commissioner and to Keller-Bruner for the tax preparation. The accountant's bill is reasonable considering the complexity of the return involving tax free income, preliminary distributions and capital gains.

As far as an income prediction for the Estate is concerned, I can make no intelligent prediction since I do not know how long it will remain open. I have been continuously burned in making gratuitous comments about the tax liability of the heirs, and counsel and other attorney friends have stated to me, that given the performance of Mr. O'Connell, that I should make no comment at all. I tried to be helpful, but that did not work. I can only say that had I not been adamant about re-valuing the Accotink property, Mr. O'Connell's initial approach would have cost this estate dearly. From the comments in his recent demands for "information", I can see that he is jumping to conclusions based on no knowledge at all. I will not reply directly to him on any future aspect of this estate. As a matter of fact I am precluded as an attorney from dealing with an adverse party who is represented by counsel. I have no intentions of having him dictate the duties of the fiduciaries. If his counsel wishes to discuss anything, I am certainly available.

The present assets of the estate are:

- | | |
|--|------------|
| 1. Burke and Herbert Bank
at a fluctuating interest rate (3.1% in January) | \$8,602.89 |
| 2. Kemper Municipal Bond Fund (Edwards)
based on January share price x shares owned | 32,484.60 |
| 3. Franklin Va Fund (Edwards)
based on December share price x shares owned | 58,185.78 |
| 4. Investment Co. of America (Edwards)
based on december share price x shares owned | 73,800.59 |
| 5. Nuveen Premium Inc Fund (Edwards)
based on Edwards 12/31/92 statement | 11,812.50 |

6. 198 sh Signet Banking Corp (Edwards) based on Edwards 12/31/92 statement	8,910.00
7. 200 sh Washington Gas Light (Edwards) based on Edwards 12/31/92 statement	7,725.00
8. Centennial Money Market Trust (Edwards) based on Edwards 12/31/92 statement	3,949.07
9. Cash at Edwards based on Edwards 12/31/92 statement	224.60
10. Fairfax Co. 6.4% bond (Edwards) based on face value not market value	110,000.00

This totals \$315,695.03, but is out of date since there have been additions since 12/31/92. These figures are taken from data at hand and do not represent any formal accounting by me. They are not furnished for any individual's use for personal tax purposes, and I disclaim any personal tax liability which might arise.

I am enclosing Edwards 12/31/92 statement which contains an entry for each asset's estimated annual yield. The amounts received from all of these funds will vary with market conditions. All of these Edwards assets are being reinvested, either in the specific funds or in Edwards Centennial Money Market Account. The estimates on Franklin, Kemper and ICA are much harder to figure. A complicating factor is that Nuveen, Kemper, Franklin and the Fairfax bond are tax free, though not all of them are Virginia tax free.

The following are the earnings from 9/1/92, the beginning date for the next fiduciary income tax return.

	GROSS	TAXABLE
Nuveen 9/1/92	67.90	67.90
Nuveen 9/1/92	24.50	24.50
Int earned B&H	406.86	406.86
END FIRST ACCOUNTING		

SECOND ACCOUNTING PERIOD

Nuveen 5/1/92	66.50	66.50
Int earned B&H	150.45	150.45
Virginia Estate tax refund	1,596.01	
Virginia Estate tax refund, interest	14.04	14.04
U S Estate tax refund	14,050.52	
U S Estate tax refund interest	358.01	358.01
Int earned B&H	133.64	133.64

Int earned B&H	151.96	151.96
Int earned B&H	81.46	81.46
TOTAL TO DATE	17,101.85	1,455.32

It should be noted that some of these items are tax free.

Since the tax laws now require payment of estimated taxes after the first estate tax year, I will have to compute these later. They will be due in April, if the estate is still open then.

Finally, I would like, for the record some memorandum from you and Sheila concerning my earlier comments as to attempting a further reduction in the Accotink valuation.

Sincerely,



Edward J. White

EJW/e
Encl.