

PARTNERS  
John P. Johnston  
William F. Serres

CONSULTANTS  
E. P. Bancroft  
Melinda A. Buckley



Certified Public  
Accountants  
Since 1954

March 16, 2019

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

Unitholder No.: 62

Year 2018 Federal and State Tax Information

#### FEDERAL INCOME TAX INFORMATION

On behalf of Port Blakely Tree Farms (Limited Partnership), Bancroft Buckley Johnston & Serres LLP has prepared the Partnership's 2018 Form 1065 and related Schedules K-1. Enclosed is your Schedule K-1 which provides information relating to your share of partnership income or loss and other items necessary for filing your 2018 federal and state income tax returns. We encourage you to seek the assistance of a qualified tax preparer as you review and use the information on your Schedule K-1 and attachments.

There was no foreign tax paid in New Zealand in 2018. However, there are items of foreign source gross income and applicable deductions which may have an effect on the use of foreign tax credits from other sources of income you may have.

#### REDEMPTIONS DURING 2018

For those Unitholders that tendered units in the Redemption Program during 2018, the Partnership's records indicate the following:

Units redeemed	1,000
Redemption amount	\$ <u>239,000</u>
Cash recovery in excess of basis (reportable gain)	\$ <u>0</u>

#### UNITHOLDER BASIS AT DECEMBER 31, 2018

The Partnership's records indicate the following:

Partnership units held by you at December 31, 2018	<u>34,457</u>
Basis of units held by you at December 31, 2018	\$ <u>729,082</u>

Unitholder No.: 62

March 16, 2019

Please notify Bancroft Buckley Johnston & Serres LLP of any changes in your marital status, residency, or mailing address.

#### OREGON STATE INCOME TAX

The Partnership is filing a 2018 Oregon composite income tax return on behalf of all eligible Unitholders. **Your Oregon State filing requirements have been satisfied** at the partnership level and no additional filings will be required.

The following recap of your Oregon tax activity for 2018 is provided so that your tax preparer may claim appropriate credits or deductions in your resident state and federal returns.

Oregon State taxable income for 2018 \$ 105,803

Oregon income tax paid by the Partnership on your behalf:

Income tax paid in 2018 (credit or deduction in 2018) \$ 5,340

#### ALABAMA INCOME TAX

The Partnership is filing a 2018 Alabama composite income tax return that includes all Unitholders. **Your Alabama State filing requirements have been satisfied** at the Partnership level and no additional filings will be required.

Your share of the Partnership income and related tax generated from the Partnership's Alabama operations for 2018 are as follows:

Nonresident's share of AL taxable income \$ 2,517

Nonresident's share of net tax paid (in 2019) by the Partnership \$ 126

#### NORTH CAROLINA INCOME TAX

The Partnership is filing a 2018 North Carolina partnership income tax return reporting \$0 taxable income for all Unitholders. **Your North Carolina State filing requirements have been satisfied** at the Partnership level and no additional filings will be required.

U/A 6/15/92 by Walter A. Starr III 1992 Trust

Unitholder No.: 062

March 16, 2019

The Partnership intends to make estimated tax deposits on your behalf for the year 2019 if the partnership anticipates taxable income will be generated from Oregon, Alabama, or North Carolina operations. The estimated tax deposits paid by the Partnership eliminates the requirement for Unitholders who join a multiple filing for 2019 to make their own Oregon, Alabama, or North Carolina estimated tax payments. If you do not wish to continue in the multiple filings, or if you have other sources of Oregon, Alabama, or North Carolina income and are therefore, ineligible, please notify Bancroft Buckley Johnston & Serres LLP immediately.

If you and your tax practitioner have any questions, please contact Bill Serres at (206) 682-4840 or you may email him at [wfsalles@bbjslp.com](mailto:wfsalles@bbjslp.com).

Very truly yours,

*Bancroft Buckley Johnston + Serres LLP*

BANCROFT BUCKLEY JOHNSTON & SERRES LLP

WS  
Enclosures

Schedule K-1  
(Form 1065)  
Department of the Treasury  
Internal Revenue Service

2018

For calendar year 2018, or tax year

beginning

ending

**Partner's Share of Income, Deductions,  
Credits, etc.**

► See separate instructions.

 Final K-1 Amended K-1

OMB No. 1545-0123

**Part III Partner's Share of Current Year Income,  
Deductions, Credits, and Other Items**

<b>Part I Information About the Partnership</b>		1 Ordinary business income (loss) <b>- 614,900.</b>	15 Credits
A Partnership's employer identification number <b>91-1289012</b>		2 Net rental real estate income (loss) <b>6,563.</b>	16 Foreign transactions
B Partnership's name, address, city, state, and ZIP code <b>PORT BLAKELY TREE FARMS (LIMITED PARTNERSHIP) 1501 FOURTH AVE. STE. 2150 SEATTLE, WA 98101</b>		3 Other net rental income (loss)	A <b>NEW ZEALAND</b> B <b>1,729,640.</b>
C IRS Center where partnership filed return <b>OGDEN, UT</b>		4 Guaranteed payments	G <b>693,274.</b> N <b>205,633.</b>
D <input type="checkbox"/> Check if this is a publicly traded partnership (PTP)		5 Interest income <b>6,142.</b>	
		6a Ordinary dividends	17 Alternative min tax (AMT) items
		6b Qualified dividends	A <b>53.</b>
		6c Dividend equivalents	18 Tax-exempt income and nondeductible expenses
		7 Royalties	C <b>9,376.</b>
		8 Net short-term capital gain (loss)	
E Partner's identifying number <b>719-16-9280</b>		9a Net long-term capital gain (loss)	19 Distributions
F Partner's name, address, city, state, and ZIP code <b>WALTER A. STARR III, TRUSTEE U/A 6/15/92 BY WALTER A. STARR III 1992 P.O. BOX 3367 FREMONT, CA 94539</b>		9b Collectibles (28%) gain (loss)	A <b>665,482.</b>
G <input type="checkbox"/> General partner or LLC member-manager		9c Unrecaptured sec 1250 gain	20 Other information
H <input checked="" type="checkbox"/> Domestic partner		A <b>6,142.</b> Z <b>-690,555.</b>	
I If type of entity is this partner? <b>INDIVIDUAL</b>		10 Net section 1231 gain (loss) <b>1,410,747.</b>	AA <b>298,542.</b> AB <b>705,443.</b>
J If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here <input type="checkbox"/>		11 Other income (loss)	AC <b>0.</b> AD <b>0.</b>
K Partner's share of profit, loss, and capital:		12 Section 179 deduction	AE * <b>148,189.</b>
		Beginning	Ending
Profit <b>2.4156669%</b>		<b>2.4156669%</b>	
Loss <b>2.4156669%</b>		<b>2.4156669%</b>	
Capital <b>2.3972588%</b>		<b>2.3972588%</b>	
L Partner's share of liabilities: <b>SEE STATEMENT</b>		Beginning	Ending
Nonrecourse <b>\$</b>		<b>\$</b>	
Qualified nonrecourse financing <b>\$</b>		<b>\$</b>	
Recourse <b>\$</b>		<b>0.</b>	<b>0.</b>
M Partner's capital account analysis:		Beginning capital account <b>\$ 601,678.</b>	
Capital contributed during the year		<b>\$</b>	
Current year increase (decrease)		<b>\$ 792,886.</b>	
Withdrawals & distributions		<b>\$ (665,482)</b>	
Ending capital account		<b>\$ 729,082.</b>	
<input checked="" type="checkbox"/> Tax basis		<input type="checkbox"/> GAAP	<input type="checkbox"/> Section 704(b) book
<input type="checkbox"/> Other (explain)			
N Did the partner contribute property with a built-in gain or loss?			
<input type="checkbox"/> Yes		<input checked="" type="checkbox"/> No	
O If "Yes," attach statement (see instructions)			

For IRS Use Only

## SCHEDULE K-1 SECTION 199A ADDITIONAL INFORMATION

THE SECTION 199A AMOUNTS TO BE USED IN THE CALCULATION OF QUALIFIED BUSINESS INCOME DEDUCTION ON YOUR 1040/1041 RETURN ARE REPORTED ON LINE 20, UNDER CODES Z, AA, AB, AC AND AD. PLEASE CONSULT YOUR TAX ADVISOR REGARDING THE CALCULATION OF QUALIFIED BUSINESS INCOME DEDUCTION, INCLUDING THE POSSIBLE AGGREGATIONS AND LIMITATIONS THAT MAY APPLY AND THE FILING OF THE 1.199A-4(C)(2)(I) ANNUAL DISCLOSURE STATEMENT.

## SCHEDULE K-1 EXCESS TAXABLE INCOME, BOX 20, CODE AE

DESCRIPTION	PARTNER FILING INSTRUCTIONS	AMOUNT
EXCESS TAXABLE INCOME	SEE IRS SCH. K-1 INSTRUCTIONS	148,189.
TOTAL TO SCHEDULE K-1, LINE 20 AE		148,189.

## SCHEDULE K-1 FOOTNOTES

PARTNER'S UNITS LISTED BELOW ARE WEIGHTED AVERAGE UNITS FOR THE TAXABLE YEAR.

## SCHEDULE K-1 PARTNER'S UNITS

UNITS: 34901 OUT OF 1444777

10190315 758625 91

161 PARTNER NUMBER 62  
2018.03000 PORT BLAKELY TREE FARMS (LI 91 1

## Schedule K-1 (Form 1065) 2018

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.	Report on	Code	Report on
Passive loss	See the Partner's Instructions	J Work opportunity credit	See the Partner's Instructions
Passive income	Schedule E, line 28, column (h)	K Disabled access credit	
Nonpassive loss	See the Partner's Instructions	L Empowerment zone employment credit	
Nonpassive income	Schedule E, line 28, column (k)	M Credit for increasing research activities	
2. Net rental real estate income (loss)	See the Partner's Instructions	N Credit for employer social security and Medicare taxes	
3. Other net rental income (loss)		O Backup withholding	
Net income	Schedule E, line 28, column (h)	P Other credits	
Net loss	See the Partner's Instructions		
4. Guaranteed payments	Schedule E, line 28, column (k)		
5. Interest income	Form 1040, line 2b		
6a. Ordinary dividends	Form 1040, line 3b		
6b. Qualified dividends	Form 1040, line 3a		
6c. Dividend equivalents	See the Partner's Instructions		
7. Royalties	Schedule E, line 4		
8. Net short-term capital gain (loss)	Schedule D, line 5		
9a. Net long-term capital gain (loss)	Schedule D, line 12		
9b. Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)		
9c. Unrecaptured section 1250 gain	See the Partner's Instructions		
10. Net section 1231 gain (loss)	See the Partner's Instructions		
11. Other income (loss)	See the Partner's Instructions		
Code			Deductions allocated and apportioned at partnership level
A Other portfolio income (loss)	See the Partner's Instructions	I Interest expense	Form 1116, Part I
B Involuntary conversions	See the Partner's Instructions	J Other	Form 1116, Part I
C Sec. 1256 contracts & straddles	Form 6781, line 1		Deductions allocated and apportioned at partnership level to foreign source income
D Mining exploration costs recapture	See Pub. 535	K Section 951A category	
E Cancellation of debt	Schedule 1 (Form 1040), line 21 or Form 982	L Foreign branch category	
F Section 951A income	See the Partner's Instructions	M Passive category	
G Section 965(a) inclusion		N General category	
H Subpart F income other than sections 951A and 965 inclusion		O Other	
I Other income (loss)			
12. Section 179 deduction	See the Partner's Instructions	P Total foreign taxes paid	Form 1116, Part II
13. Other deductions		Q Total foreign taxes accrued	Form 1116, Part II
A Cash contributions (60%)	See the Partner's Instructions	R Reduction in taxes available for credit	Form 1116, line 12
B Cash contributions (30%)		S Foreign trading gross receipts	Form 8873
C Noncash contributions (50%)	See the Partner's Instructions	T Extraterritorial income exclusion	Form 8873
D Noncash contributions (30%)		U Section 951A(c)(1)(A) tested income	
E Capital gain property to a 50% organization (30%)	See the Partner's Instructions	V Tested foreign income tax	
F Capital gain property (20%)	Form 4952, line 1	W Section 965 information	
G Contributions (100%)	Schedule E, line 19	X Other foreign transactions	
H Investment interest expense	See the Partner's Instructions		
I Deductions - royalty income	See the Partner's Instructions		
J Section 59(e)(2) expenditures	See the Partner's Instructions		
K Excess business interest expense	Schedule A, line 16		
L Deductions - portfolio (other)	Schedule A, line 1 or Schedule 1 (Form 1040), line 29		
M Amounts paid for medical insurance	See the Partner's Instructions		
N Educational assistance benefits	See the Partner's Instructions		
O Dependent care benefits	See the Partner's Instructions		
P Preproductive period expenses	See the Partner's Instructions		
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions		
R Pensions and IRAs	See the Partner's Instructions		
S Reforestation expense deduction	See the Partner's Instructions		
T through V	Reserved for future use		
W Other deductions	See the Partner's Instructions		
X Section 965(c) deduction	See the Partner's Instructions		
14. Self-employment earnings (loss)			
Note: if you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.			
A Net earnings (loss) from self-employment	Schedule SE, Section A or B		
B Gross farming or fishing income	See the Partner's Instructions		
C Gross non-farm income	See the Partner's Instructions		
15. Credits			
A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions		
B Low-income housing credit (other) from pre-2008 buildings			
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings			
D Low-income housing credit (other) from post-2007 buildings			
E Qualified rehabilitation expenditures (rental real estate)	Schedule 5 (Form 1040), line 74, box a		
F Other rental real estate credits	See the Partner's Instructions		
G Other rental credits			
H Undistributed capital gains credit			
I Biofuel producer credit			

811262 02-13-19

10190315 758625 91

162 2018.03000 PORT BLAKELY TREE FARMS (LI 91\_\_\_\_\_1 62

### Partner Basis Worksheet

Partner Number: 62	Partner ID Number: 719-16-9280
Partner Name: WALTER A. STARR III, TRUSTEE U/A 6/15/92 BY WALTER A. STARR III 1992	Ownership Percentage: 2.3973%
Partnership Name: PORT BLAKELY TREE FARMS (LIMITED PARTNERSHIP)	Partnership ID Number: 91-1289012 Year Ended: DECEMBER 31, 2018

**Increases:**

1. Adjusted basis at the end of the prior year (not less than zero)	1. 601,679.
2. Money and your adjusted basis in property contributed to the partnership less the associated liabilities (not less than zero)	2.
3. Partner's share of partnership liabilities (current year Item K, Schedule K-1 and increased share)	3.
a. Less: Liabilities included in line 1 above (prior year Item K)	3a.
4. Items of income or gain this year including tax-exempt income	
a. Ordinary business income	a.
b. Net rental real estate income	b. 6,563.
c. Other net rental income	c.
d. Interest income	d. 6,142.
e. Ordinary dividends	e.
f. Royalties	f.
g. Net short-term capital gain	g.
h. Net long-term capital gain	h.
i. Net gain under Section 1231	i. 1,410,747.
j. Other income	j.
k. Tax-exempt income	k.
l. Other increases:	l.
Total income and gain (Add 4(a) through 4(l))	4. 1,423,452.
5. Gain (if any) recognized this year on contribution of property to partnership (other than gain from transfer of liabilities)	5.
6. Depletion (other than oil and gas) in excess of basis	6.
Total increases (Add lines 2 through 6)	1,423,452.

**Decreases:**

7. Withdrawals and distributions during the year	7. 665,482.
8. Partner's share of partnership liabilities (current year Item K, Sch K-1 and decreased share)	
a. Less: Liabilities included in line 1 above (prior year Item K)	8a.
9. Nondeductible expenses	9. 9,376.
10. Partnership losses and deductions:	
a. Ordinary business (loss)	a. 614,900.
b. Net rental real estate (loss)	b.
c. Other net rental (loss)	c.
d. Net short-term capital (loss)	d.
e. Net long-term capital (loss)	e.
f. Net loss under Section 1231	f.
g. Other deductions	g.
h. Charitable contributions	h. 6,291.
i. Section 179 deduction	i.
j. Foreign taxes paid or accrued	j.
k. Other decreases:	k.
l. Disallowed prior year's losses and deductions	l.
11. Oil and gas depletion (not to exceed your allocable share of the adjusted basis of the property)	11.
Total decreases (Add 10(a) through 10(k) and line 11)	621,191.
12. Adjusted Basis of partnership interest (If less than zero, enter zero)	12. 729,082.

**Gain on Distributions:**

13. a. Cash distributions	a. 665,482.
b. Less: basis before distributions and allocable loss	b. 2,025,131.
c. Gain on distribution	c. 0.

**Carryover:**

14. a. Prior year loss	a.
b. Add: Losses and deductions this year	b. 630,567.
c. Less: Applied this year	c. 1,359,649.
d. End of year (not less than 0)	d. 0.

162.1

2018.03000 PORT BLAKELY TREE FARMS (LI 91 1

10190315 758625 91

B11081  
07-20-18